FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Unlikely mood among Italian voters, Page 2

World news | Business summary

French cabinet crisis looms

French Prime Minister Jacques Chirac appeared to be heading for a cabinet crisis with the possible resignation of Minister for Culture François Leotard.

A quarrel within the Government erupted after Mr Chirac attempted to halt disputes among his ministers by issuing a stern public warning to Mr Leotard, telling him to choose between his duties and his position as a militant member of the Parti Republicain. Page 2

Thatcher warning

UK Prime Minister Margaret Thatcher warned of economic disaster if the opposition Labour Party won next week's British election. Campaign reports, Pages 10 and 11

Red Square 'plot'

West German teenager Mathias Rust did not act alone in planning his flight in a light aircraft from Helsinki to Moscow's Red Square, a senior Soviet journalist and aide to Soviet leader Mikhail Gorbachev said.

Tourists shot dead

Two West German tourists, a man and a woman, were shot dead by rebels in Matabeleland, south-west Zimbabwe.

Governor quits

President Mario Soares of Portugal accepted the resignation of Macao's governor who cited "reasons of institutional dignity" for serving only one year.

British protest

Britain's high commission in Suva lodged a strong protest with the Fijian Government after one of its diplomats was punched by a soldier and shots were fired at his vehicle.

Iran charges

Britain could announce diplomatic sanctions against Iran following moves in Tehran to charge a senior British envoy with drugs and corruption charges. Foreign Secretary Sir Geoffrey Howe had urgent talks in London, while Prime Minister Margaret Thatcher said the charges were "outrageous."

Venice closed

Venice airport will be closed to normal traffic as part of security precautions at next week's summit of leading Western industrialised nations.

Syrian mourning

Syria lowered flags to mark three days' state mourning for assassinated Lebanese Prime Minister Rashid Karami and urged Lebanon to follow Karami's pro-Arab, anti-Israel stance.

Korean candidate

South Korean President Chun Doo Hwan named close associate Roh Tae-woo as the ruling party candidate for this year's election to pick his successor. Chun has promised to retire when his seven-year term expires next February. Page 4

Inflation 'war'

President Sarney of Brazil declared a "war without quarter" on his country's inflation of about 800 per cent a year and told his ministers to watch every cent of public expenditure.

Punjab bomb blast

Four people were killed and 20 injured when a bomb planted by suspected Sikh extremists exploded outside a Punjab cinema.

Barbados PM dies

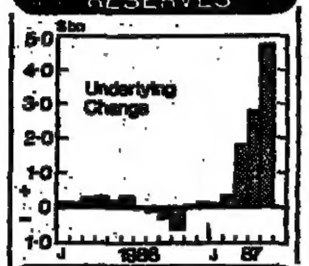
Prime Minister Errol Walton Barrow, who led Barbados to independence from Britain in 1966 and was returned to office in a landslide victory last year, died suddenly at his home. He was 67.

Brazilian loans hit Royal Bank

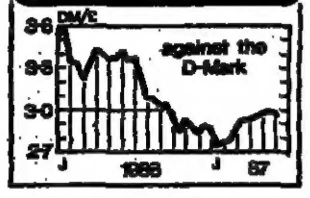
ROYAL BANK OF CANADA downgraded C$1.3bn ($1bn) of loans to Brazil, contributing to a 7 per cent fall in second-quarter earnings. Page 27.

UNITED NEWSPAPERS of the UK appeared close to victory in its £250m ($400m) takeover battle for Extel Group, financial and sports information company. Page 32

UK OFFICIAL RESERVES



STERLING



BRITAIN'S gold and foreign currency reserves showed a record monthly increase of $4.76bn in May, double most market forecasts, reflecting heavy intervention by the Bank of England to stop the pound rising. The reserves now stand at a record $34.66bn. Page 26

GOLD rose on the London bullion market to close at $454.25 ($444.50). It also rose in Zurich to $450.75 ($444.75). Page 36

DOLLAR closed in New York at DM 1.7945; SFr 1.4775; FFr 5.9925 and Y141.20. It fell in London to DM 1.8040 (DM 1.8340); to Y142.15 (Y145.45); to SFr 1.4890 (SFr 1.5215); to FFr 6.0225 (FFr 6.1150). On Bank of England figures the dollar's exchange rate index fell from 102.3 to 100.9. Page 37

STERLING closed in New York at $1.6485. It rose in London to $1.6430 ($1.6255); but fell to DM 2.9650 (DM 2.98); to Y233.5 (Y236.5); to FFr 9.8950 (FFr 9.94); and to SFr 2.4450 (SFr 2.4725). The pound's exchange rate index remained unchanged at 72.8. Page 37

WALL STREET: The Dow Jones industrial average closed 10.01 down at 2,278.22. Page 48

LONDON: After a triumphant start, equities and gilts eased following jitters caused by a UK opinion poll and news of Mr Paul Volcker's decision to leave the Federal Reserve Bank. The FT-SE 100 index lost 8.6 at 2,219.6 and the FT Ordinary index closed down 6.4 at 1,724.3. Page 48

TOKYO: A technical correction to Monday's high prices curbed buying and left share prices easier. The Nikkei average closed down 90.15 at 24,902.63. Page 48

TIE RACK, UK chain selling men's ties, is to join the London stock market in one of the most expensive listings the city has ever seen. Page 48

GÖTABANKEN, Sweden's fourth largest publicly quoted bank, increased its operating profits by 6 per cent in the first four months of the year to SKr 253m ($40m). Page 27.

AGA, Swedish industrial gas group, has won support from the board of Duffour et Igon in fierce bidding for the French industrial gas producer. Page 27.

MANNESMANN, West German steel pipes and engineering group, is cutting its 1986 dividend after a sharp fall in profits caused by heavy losses in its mainstream pipes business. Page 27.

GULF & WESTERN, major US entertainment, publishing and financial services conglomerate, lifted second-quarter net earnings from $45.7m to $52.7m and predicted record results for the current financial year. Page 27.

Reagan's decision on new Fed chairman greeted with anxiety and relief

Greenspan to replace Volcker

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan ended weeks of mounting speculation in the financial markets yesterday by announcing that he had asked Dr Alan Greenspan, a 61-year-old New York economist and former chairman of the Council of Economic Advisers under President Gerald Ford, to succeed Mr Paul Volcker as chairman of the Federal Reserve Board.

The decision, announced on the eve of Mr Reagan's departure for the Venice summit, was welcomed in the financial markets with a combination of anxiety and relief. There was relief that the President and his advisers, including Mr James Baker, the US Treasury Secretary, had selected an able and pragmatic economist as successor to Mr Volcker. The anxiety centred on how Fed policy under the new chairman would change and how long it would be before Dr Greenspan could convince nervous financial markets that he would resist inflationary pressures and maintain the Fed's traditional independence.

The change was presented by the President as a resignation by Mr Volcker, although no convincing explanation for that resignation was presented.

Appearing in the White House press room at 10.00am yesterday, Mr Reagan read a statement which brought to an end one of the most turbulent and illustrious careers in the history of the US central bank. Flanked by Mr Volcker, Mr Baker and Dr Greenspan, the President said: "Paul Volcker has advised me of his decision not to accept a third term as a member and chairman of the Federal Reserve Board."

Both Mr Volcker and, subsequently, Mr Baker, insisted that the Fed chairman had "not been pushed" out of office and Mr Volcker paid generous tribute to his successor, a gesture made in part no doubt to reassure the financial markets.

Dr Greenspan himself, while expressing reluctance to comment on substantive issues in detail, took the opportunity presented by reporters questions to underscore a traditional central bankers concerns about inflation while indicating cautious optimism about the economic outlook. "It will be up to those of us who follow (Mr Volcker) to be certain that those very hard won gains against inflation are not lost," he said. When asked whether inflation had been beaten, he remarked: "Inflation is never ultimately tamed. It only becomes subdued."

Asked whether he thought the fall in the dollar had bottomed out now, Dr Greenspan said: "There is certainly evidence in that direction." In response to a question whether he was worried that his appointment might lead to a fall in the dollar, he replied: "I am always fearful of markets and very respectful of them and intend to watch markets closely as I always have." He denied that he had any discussion about interest rate policy with the administration before accepting the appointment.

Dr Greenspan will step into the shoes of a man who has become a legend in the financial world during his eight year tenure as Fed Chairman. Relying not only on his expertise as an economist but on his shrewd political sensitivities, Mr Volcker has played a central role as Fed Chairman in fighting inflation, containing the Third World debt crisis, sustaining world economic growth and improving international economic policy co-operation.

There was intense speculation in the financial markets yesterday concerning the background to Mr Volcker's departure. Mr Volcker himself stressed that there were no monetary policy issues that led him to decline a third term, a remark which appeared to hint at his long-standing disagreements with the Reagan Administration about the need to give higher priority to cutting the federal budget deficit.

Paul Volcker

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Alan Greenspan

Financial markets fall as confidence falters

BY JANET BUSH IN LONDON AND RODERICK ORAM IN NEW YORK

WORLD FINANCIAL markets fell sharply yesterday in nervous reaction to the news that Mr Paul Volcker is to step down as US Federal Reserve Board chairman.

The worst losses occurred in Europe where his nominated successor, Mr Alan Greenspan, appears to be regarded as an unknown quantity. In financial centres, the less a market knew about Mr Greenspan, the worse the response to his nomination.

The dollar fell sharply during heavy European trading, falling below the key DM 1.80 level and losing Y2 in moments. This provoked support intervention by the Federal Bank of New York and possibly the Bundesbank which helped to arrest the decline.

In London, the gold price surged to $455 an ounce at its afternoon fixing compared with an opening of around $447.

The benchmark US Treasury long bond lost two points in minutes before stabilising at the lower level. In New York, bond prices failed to rally as continued nervousness in currency markets kept the dollar under pressure.

The negative reaction in Europe seemed to stem mostly from concern about the ability of the US Administration to prevent an upsurge in US inflation and to foster stability in the dollar without Mr Volcker.

Until very recently, the dollar had been weak and fears of higher inflation caused a collapse in the US bond market. Foreign exchange dealers in London attributed the recent, rather fragile, recovery in the dollar and US bonds to confidence in Mr Volcker's influence on the Administration. This, they said, was a crucial factor in pushing through a slight firming in US monetary policy recently.

One dealer at a US bank in London said yesterday's news could not have come at a worse time for market confidence.

US markets seemed to be reacting more to the unexpectedness of the announcement than in a judgment on Mr Greenspan's ability to grow into the job of Fed chairman. Recent news stories had led investors to believe there was a strong chance

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VW shareholders urged to abstain on board plan

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE BANK yesterday advised clients to abstain on voting to approve the actions of the board of Volkswagen at next month's annual meeting, a step prompted by last year's heavy losses through currency fraud.

The move is an unusual one on the West German corporate scene, but the bank stops short of advising its customers to vote against the relevant motions at the meeting. Two small shareholders' groups have recommended such action.

The big German banks have faced a dilemma over how to advise clients with VW shares deposited with them. A vote against the usual motion ratifying board actions for the past year would be a blow to the confidence and management standing of the motor group.

However, the banks have felt unable to give clear advice to clients in the absence of an independent report being prepared by an accountancy concern, Deutsche Treuhand-Gesellschaft.

This should be available later this month. Deutsche Bank said that, without seeing the report, it could not yet give firm advice on whether to support or oppose motions ratifying actions of the management and supervisory boards.

VW lost up to DM 473m ($263m) through the foreign exchange frauds. Mr Burkhards Junger, its former head of foreign exchange, has been arrested and state lawyers also want to question Mr Joachim Schmidt, an independent broker, who has been reported to be as far away as New Zealand.

Deutsche Bank, Germany's biggest commercial bank, said it still reserved the right to vote for or against the motions at the July 2 annual meeting, if the accountants' report turned up anything to justify this.

Commerzbank said it was recommending clients to vote in favour of the VW board, with the reservation that it could change its mind if the report produced anything surprising. Dresdner Bank will decide later.

It is not known how many VW shares are deposited with the banks and thus how their decision could influence the meeting. Mr F. Wilhelm Christians, a co-chairman of Deutsche, is on the VW supervisory board.

The Federal Government and state of Lower Saxony jointly hold 40 per cent of the voting capital of VW.

US and Soviets agree terms for draft treaty

BY WILLIAM DULLFORCE IN GENEVA

SOVIET AND US negotiators in Geneva have drafted a first joint text for a treaty eliminating intermediate range nuclear forces (INF) from Europe, Mr Alexei Obukhov, the head of the Soviet delegation, said yesterday.

A full draft treaty could be completed by the autumn, ready for signature at the next US-Soviet summit meeting, Mr Obukhov said. Both sides had agreed they should work through the summer to reach this goal.

However, Mr Obukhov was quick to add that the joint text, framed on Monday, still contained many "brackets" around points on which the two sides differed.

He would not comment on the West German Cabinet's decision on Monday to accept Moscow's so called "double-zero option" for el-

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UK Tories plan more sell-offs

BY PETER RIDDELL, POLITICAL EDITOR IN LONDON

BRITAIN'S AIRPORTS, electricity industry and water authorities will be privatised as part of the ruling Conservative Party's sweeping programme of state industry sell-offs if it wins next week's general election.

The Conservative Party's drive to create a share-owning democracy will not, however, include other major state-owned industries in the next parliament.

Mrs Margaret Thatcher, the Prime Minister, and other senior UK government ministers, sought to remove uncertainty about the Government's plans yesterday by ruling out the privatisation in the next parliament of the UK's rail network, its coal industry, the mail delivery service of the Post Office and, in the short term, of British Steel.

Mrs Thatcher's privatisation programme has already included Britain's telecommunication industry, British Gas, British Airways, Rolls Royce and British Petroleum among others.

Mr Nigel Lawson, the Chancellor of the Exchequer, said the order of privatisation would be BAA (expected this summer), followed by water and then electricity. In addition, the Government has already announced that it intends to sell the rest of its shareholding in BP.

Mr Peter Walker, the Energy Secretary, said there were at present no detailed proposals for the structure of the electricity industry, but he would be consulting after the election. He was making his first appearance at a Conservative election press conference following speculation that he might be dropped from the Cabinet.

The Government has substantially amended its proposals on water privatisation following protests form the water authorities.

There are no plans to privatise British Rail and the priority re-

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Sri Lanka alerts troops as Indian boats sail

By John Elliott in Colombo

SRI LANKA has ordered its armed forces to defend the island's sovereignty and territorial waters today when an Indian flotilla of about 20 small fishing boats carrying relief supplies for Tamil civilians is expected to try to land at the northern city of Jaffna.

The Indian action will further raise the tension of Sri Lanka's ethnic conflict between the minority Tamils, fighting for some form of regional autonomy, and the majority Sinhalese. The situation deteriorated further yesterday with the massacre of 29 Buddhist monks and four civilians who were travelling on a bus ambushed in the east of the island.

The Government blamed the attack on the Liberation Tigers of Tamil Eelam, saying it was a reprisal for defeats the Tigers have suffered during the past eight days of a government military campaign to regain control of the Jaffna Peninsula from the Tamils.

Sri Lanka said India's decision to send the unauthorised flotilla of boats, which is aimed at warning against further army attacks on Tamils, would be a "violation of independence, sovereignty and territorial integrity." Mr Ranasinghe Premedasa, Prime Minister, told an emergency session of Parliament: "We have to act as a sovereign country." The nation's land and waters would be protected.

Sri Lanka's navy comprises only one Israeli-built Dvora patrol boat and six smaller coastal patrol boats.

Late last night, senior Sri Lankan ministers in Colombo were in telephone contact with the Indian Government in New Delhi to try to find some compromise.

Without such a compromise, a serious diplomatic incident, or even an armed clash, could occur by midday today when Sri Lanka's small but speedy navy challenges the flotilla. The flotilla will be unarmed but will probably be shadowed from a distance by Indian coastguard vessels.

Yesterday's bus massacre led last night to fears of a possible Sinhalese backlash against the killings, which were the worst to hit Sri Lanka's main Buddhist religion in four years of increasing violence. Mr Premedasa warned, significantly, that there could be a risk of unrest in the south of the island if people thought that Indian troops had landed today in the north.

India's intervention has reawakened anti-Indian and anti-Tamil feeling.

India's patience exhausted, Page 4

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Chirac may face cabinet crisis

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, yesterday appeared to be heading for a cabinet crisis with the possible resignation of a senior minister.

The quarrel within the Government broke out after the Prime Minister sought to end disputes among his ministers by issuing a stiff public rebuke to Mr Francois Leotard, the Minister for Culture, and leader of the free market Parti Republicain.

The statement called on Mr Leotard to chose between his responsibilities as a minister and as a party militant, as the two were incompatible.

After meeting senior members of his party Mr Leotard said last night *that he would give his reply to* Mr Chirac at the party's Congress this weekend. Mr Leotard leads a group within the Government that included Mr Alain Madelin, the Industry Minister and Mr Gerard *Longuet* the Minister for Telecommunications, who would be implicated in any action he decided to take.

The Prime Minister's statement yesterday was directed at Mr Leotard's remarks in a newspaper interview on Monday in which he declared he would not support Mr Chirac in the first round of the presidential election.

In issuing such a stiff warning which carried the implicit threat of dismissal, Mr Chirac also had in mind the challenges posed to his leadership recently by other members of his government who have taken independent stances towards the extremist National Front of Mr Jean-Marie Le Pen.

Mr Chirac was probably also encouraged in taking a firm line with Mr Leotard by the helpful statements of "loyal support" he received form Mr Raymond Barre, the former Prime Minister, earlier in the day.

Mr Barre, speaking in a radio interview after a meeting last week with Mr Chirac, made clear that he viewed a defeat of the Socialists and Mr Le Pen as having priority within the coalition over presidential rivalries.

Marriage goes out of style

By Our Paris Correspondent

MARRIAGE IS becoming increasingly unfashionable in France while divorce is still rising and more people are living on their own.

According to the latest edition of Social Trends published yesterday, the number of marriages recorded in 1985 had dropped to a pre-war level of 269,300 from a peak 15 years ago of 416,251. *At the same time the number of marriages ending in divorce each year has tripled since the 1960s to above 100,000.*

Apart from providing an eye-opener on French marital habits, the three-yearly report *published by the state statistics* office Insee is a mine of information on recent changes in French society.

It shows the explosion of part-time working and short-term jobs under the pressures of recession and unemployment, as well as the shirp increase in the proportion of women in the workforce.

It also confirms French fears of an ageing population with the orospect on current demographic trends that the size of the French labour force will peak at 26m by the year 2010

On a lighter vein it provides evidence that the French are buying less clothes—though women spend 30 per cent more than men—and that intellectuals and academics stand out as cat lovers in a dog-infatuated society.

The data on marriage is bound to fuel the anxieties of the Catholic church and French conservative parties on the future of the family. Insee attributes the decline in marri*age to both* the number of young people living together to give marriage a trial as well as to an increase in the numbers preferring to live together unmarried. In Paris, more than half the couples under 25 now live in cohabitation.

But the survey also describes what it calls the "crisis of the couple"—meaning that the number of people living on their own is also growing sharply. Over the three years 1982-85, the number of single people between 24 and 35 rose by 20 per cent to 1.190m. Insee puts this down in part to economic difficulties but says that among wage-earners and public employees the same phenomenon is apparent.

Because of unemployment as well, more young people are living with their families. The *proportion of men between the* ages of 20-24 living at home has risen to 67 per cent from 62 per cent in the 1960s.

The number of suicides— a further indicator of social instability is also rising—passing from 15 for every 100,000 in the 1960s and 1970s to 21

The increasing proportion of women in the workforce is attributable to a combination of education and to the growth in part-time working. While a little more than one women in two between the ages of 25 and 54 had a job in 1974, this ratio had risen to two in three by 1985.

Soaring labour costs set back EC's gains in competitiveness

BY WILLIAM DAWKINS IN BRUSSELS

LABOUR COSTS in the EC climbed sharply last year, almost wiping out the previous decade's improvement in competitiveness, the European Commission said yesterday.

The increase comes mostly because of a strengthening in value of European *currencies*, but also because of a small underlying loss in competiveness, according to the latest monthly economic digest from the Commission. "This does not *augar well for the performance of* European goods on world, and their own, markets," it warns.

PERCENTAGE CHANGE IN EXCHANGE RATE ADJUSTED MANUFACTURING LABOUR COSTS

	EC	US	Japan
1981	−14.6	+10.3	+ 9.1
1982	− 5.2	+12.3	−12.4
1983	− 4.2	+ 1.4	+ 7.8
1984	− 6.7	+ 7.4	+ 0.5
1985	− 0.4	+ 1.9	+ 2.5
1986	+12.8	−20.2	+29.5
1987*	+ 7.3	− 7.5	+ 5.5

*Forecast

Source: European Commission

Industrial labour costs rose by 12.8 per cent in 1986, of which 10.8 per cent comes from exchange rate movements. Total EC labour costs, including service industries, rose less steeply by 11.3 per cent, but both cases represent a dramatic reversal from an unbroken *decline which had lasted since* the turn of the decade.

Worst hit is West Germany, where industrial wages climbed by 13 per cent last year, followed by Denmark with 8.9 per cent and the Netherlands with a 6.6 per cent increase. Britain and Greece are the only member states to have managed to cut *industrial* wages last year.

Manufacturing labour costs plunged by just over 12 per cent in Greece, overshadowing Britain's 0.5 per cent improve*ment.* The Commission forecasts that Britain will soon start to catch up, with a 7.4 per cent decline in industrial wages this year, though its forecast does not make it clear whether that makes any assumptions about the result of next week's general election.

However, that still lags a *long way behind the 20 per cent* decline in US manufacturing wages last year, expected to be followed by a 7.5 per cent improvement in 1987. That partly reflects the dollar's weakness, but also shows that compensation per employee in the US is growing more slowly than among its main competitors.

The Commission *forecasts* that overall EC labour costs will continue to climb, by 7.5 per cent this year, with manufacturing wages showing a less

MEPs stonewall over budget

BY QUENTIN PEEL IN LUXEMBOURG

THE EUROPEAN Parliament yesterday threw a spanner into the works of the European Community's budget crisis, by refusing to deliver its opinion on one part of the solution, without an assurance of finance from the member states to cover the rest of the yawning budget deficit.

A top-level delegation of MEPs met budget ministers in Luxembourg trying decide on how to fill the Ecu 5bn (£3.5bn) hole in the 1987 budget.

Even that figure is now regardd as wildly optimistic, in the light of the failure of EC Farm Ministers to agree yet on tough price restraint, and an oils and fats tax to restrain *their own overspending. Offi*cials admit the deficit is now more likely to total Ecu 6bn, before the year end.

The MEPs, led by Mr Piet Dankert, the Dutch Socialist vice-president of the Parliament, made it clear that they would not be rushed into giving any opinion on a proposed change in financial regulations, which could save up to Ecu 4bn of the gap by delaying spending into 1988.

That plan, put ofrward by the European Commission and backed by thet UK, France and West Germany — the three major net contributors to Brussels — requires a legal opinion from the Parliament

However, the MEPs, along with southern member-states like Italy and Spain, say they want to see the rest of the supplementary budget first. On that score the Big Three *budget contributors are unani*mous in saying they will not agree on a once-off loan of Ecu 1.5bn from the member-states to bridge the gap.

The stage now seems set for a prolonged budget wrangle lasting through the summer, with no final agreement until September or October — by which time the Commission says it will have had to start cutting back drastically on payments to the member-states.

Yesterday's Budget Council, although expected to last well into the night, was not thought likely to produce any clear solutions.

The change in financial regulations, which would mean that Brussels pays farm price support cash to national treasuries one month in arrears rather than one month in advance, is still opposed by the poorest member states like *Ireland and Greece. They want* to see some element of interest rate relief built into the system, for fear of aggravating their already chronic budget deficits.

Norway banks hit lending ceiling

BY KAREN FOSSLI IN OSLO

Several of Norway's banks have reached the domestic lending ceiling imposed by the central bank and *now* face penalty charges. In response many banks have increased domestic lending annual interest rates by 3.6 percentage points or have chosen to curb domestic lending.

Den Norske Creditbank (DNC), Norway's largest bank, has decided to curb domestic lending to avoid paying penalties to the central bank. It has outstanding loans of NKr 52.9bn of which 35bn is in Norwegian kroner and the remainder in foreign currency.

Christiania Bank has decided to continue its lending programme but will raise interest rates by 0.3 points per month, or 3.6 points annually.

Overshooting the domestic lending ceiling, *which has been* imposed as a measure to tighten the Norwegian economy, will force banks to place 25 per cent of the increase into the central bank without earning interest.

The Foreign Exchange Commission, however, says the new measures by the banks have not affected interest rates in the *commercial money market.* It will be forced, in turn, however, to borrow more in the market at a 0.3 points additional monthly cost as a compensation to the Bank of Norway.

Interest *rates* in Norway are at 15 to 20 per cent, which is high compared to other Scandinavian countries. The Finance Ministry says it will continue to enforce the ceiling on domestic lending.

Norwegian debate on EC move welcomed

EUROPEAN Community officials yesterday welcomed Norway's recent move to reopen public debate on joining the Community, and warned that Norway should not expect special trade advantages if it remains an outsider, Reuter reports from Oslo.

Mr Willy De Clercq, EC External Affairs Commissioner, said high-level talks this week with Norway's minority Labour Government helped clarify misconceptions that led Norwegians to reject EC membership in a bitterly fought 1972 vote.

"Norway would enjoy an economic and industrial advantage if the country merged into a big internal market with Continental dimensions. And it would at least partly solve the problem of competitiveness of Norwegian industry," Mr De Clercq said.

"But you cannot be in the club and remain outside the club. You can expect equal footing in the club, but not out of it," Mr De Clercq said.

Norway, Western Europe's second biggest oil producer after Britain, saw its economy badly shaken last year by plunging oil prices and an unchecked decline *in its other export industries.*

The Government is worried about prospects for trade with the 12-nation EC, which buys about two-thirds of Norway's exports.

Last month, it asked political parties and the public to carefully reassess Norway's relationship to the EC.

The report, along with plans to open an EC trade office in Oslo this autumn, are the first steps towards reopening the membership issue.

- Malta plans to apply for membership of the European Community (EC) but has set no target date for its entry into the 12-nation bloc, Maltese Foreign Minister Mr Vincent Tabone said yesterday, Reuter adds from Brussels.

Mr Tabone made the remarks at the end of a visit to Brussels, his first trip abroad since taking office following the Maltese general election on May 9.

He held talks with EC Development and Mediterranean Affairs Commissioners Mr Lorenzo Natali and Mr Claude Cheysson and with Belgian Foreign Minister Mr Leo Tindemans.

Greenland party chief to stay

By Hilary Barnes in Copenhagen

THE LEADER of Greenland's home rule government since 1979, Mr Jonathan Motzfeldt, has survived a weekend attempt to oust him from the island's top job by a left-wing faction within his own moderate soicalist Siumut party.

Following an election to the Greenland parliament last week, the Siumut executive committee voted out Mr Motzfeldt as the party's candidate to lead the new government.

But by late on Sunday night his challenger for the post as chief minister, Mr Lars Emil Johansen, had agreed to hold off for the time being. He said he would wait until the party's annual conference in August to challenge Mr Motzfeldt for the party leadership and the job as chief minister which would go with it.

The action against Mr Motzfeldt took place in the wake of last week's election to the home-rule parliament in which Siumut and the main opposition Atassut both lost ground to smaller parties.

Andriana Ierodiaconou reports on the new shipping magnates, whose profiles are as *low as the sum of* their wealth is high and whose business methods are far removed from those of Onassis and his generation

Change of image for the Greek tycoons

TO MOST people the Greek shipping industry is synonymous with the Greek tycoon, as quintessentially represented by Aristotle Onassis—a man of fabulous wealth leading a glamorous life encompassing private islands, sleek yachts and beatuiful women.

In today's industry however, Onassis figures are conspicuous by their absence. Greek tycoons of the 1980s, where they exist—and names such as John Latsis or Vardis Vardinoyiannis still evoke the term in the trade—are quite tycoons, with profiles as low as the sum of their wealth is high.

According to one view the difference in style between today's mostly publicity shy *Greek shipowners and the* Onassis generation is no more than a symptom of the changed political and social circumstances in which they operate.

"The immediate post-war period was unique. We were all tired and wanted not just to advance financially but to live it up," one senior Pireaus shipowner commented. "That also affected methods of work, we were interested in material goods and laid all else

Most shipowners and shipping experts agree, however, that the newer generation's changed style also reflects an evolution in the way of doing business.

In the main, today's shipowners use management

Now the banking industry demands the ability to weather a crisis

methods largely unknown to their seniors in the trade.

This is partly attributed to education. "We Greeks who went to London in 1946 could count about a dozen university degrees between us and nobody had a master's. Today everybody has multiple degrees," the same shipowner confided. "You do not have to have a PhD to be an Onassis, but today we do have Onassises with PhDs."

The post-1979 shipping crisis, however, sombre though the experience was, also played a key part in upgrading business standards.

The toll taken by the crisis—described by one observer as "the worst time anyone has ever seen including the 1930s" — has been heavy. *From* 3,922 vessels in 1980, the Greek fleet stood at 2,255 in 1986, a loss of over 11m gross tonnes.

In the process those who survived were in many cases able to take advantage of second-hand prices to modernise their fleets at low cost. At the same time the tough market weeded out the weak, marginal or inefficient, imposing rationa*lised business methods on the* survivors.

As one shipowner graphically commented: "The guys who used to say, 'let's buy a vessel and throw it into the ocean and make millions overnight' have burned their ngers."

In the veiw of many shipowners, the origins of the flambuoyant style sported by some in the previous generation can be traced in large part to the halcyon markets that generation enjoyed.

"If shipowners like Onassis *found themselves operating* today they would meet with difficulties. In those days nine times out of ten the market was with you, now it is against you," Mr Gregoris Hadjieleftheriades, a respected Pireaus tanker fleet owner, said. "That allowed them to be individualists and reap the benets alone, buying islands and yachts."

"The style of Greek shipowners hasn't really changed—but the scale of the industry's finances today relative to the Onassis period is one to 50," a young shipowner operating a fleet of tankers and bulk carriers said.

Shipping bankers, for whom the crisis has translated into tens of billions of dollars in exposed loans, also claim a major role in the improvement in the industry's business practices.

"We who have been in Pireaus for over 20 years have pressed for a correct reflection of financial position, not through a black book approach *but through independent auditors,*" the manager of one leading shipping bank said. "There has also been an upgrading of investment and capital planning. Better education is one factor, but it also has to do with the demands of the market.

"Now the banking industry demands the ability to weather a crisis out."

One way in which shipowners have created cushions is by diversifying their investments, reducing their exposure in shipping in favour of land-based enterprises ranging from oil refineries to real estate.

Not all shipowners are in favour of the trend towards diversification. 'Sideline investments shouldn't represent more than 5 per cent of activity, otherwise you are not a shipowner but an entrepreneur," *Mr Hadjieleftheriades said.*

The future, in this view, lies not in mivesifying but in pooling forces with other shipowners as with cargo generating countries.

In *the meantime, despite* some signs of market recovery, the long-term prospects for shipping remain hard to predict.

"The market can change overnight. It's a bit like the dollar—economists, bankers, the whole world is wrong," one banker remarked. "We can talk only of the short term, that is six months, which is meaningless considering that is six months, which is meaningless considering that the amortisation of a reasonable shipping investment takes an average of eight years."

To meet this challenge, Greek shipowners will have to continue to draw on skills which many believe to be part of a national maritime tradition which goes deeper than changes in business practices and style.

"*Greek-style shipping is a* gambler's business—we are talking about big, big numbers. You have a certain flair which the Greeks seem to have naturally," one expert remarked. "*It's hard to pin it down* but it has to do with a taste, a smell of where the business is and the guts to go and do it." Any Greek tycoon worth his salt would know exactly what he meant.

Italy's Bank chief sparks capital gains tax fears

By John Wyles in Rome

MR Carlo Azeglia Ciampi, governor of Italy's central bank, has attracted nervous criticism with an apparently throw-away line on the need for a capital gains tax on equities in his annual report to the Bank of Italy's general meeting.

Delivered last Saturday in the middle of an election campaign, his remarks have been seized upon by politicians hungry for tactical advantage and firmly rejected by leading businessmen such as Mr Gianni Agnelli, president of Fiat, and Mr Luigi Lucchini, president of the industrialists' organisation, Confindustria.

Mr Agnelli said a capital gains tax would be conceivable if the Italian tax system was comparable to those of other countries, but in the absence *that the Fiat chief felt that* "we live on the shareholders and we want to give them maximum satisfaction."

Mr Lucchini feared such talk could damage the stock exchange, which has been jittery recently, although it was not much stirred by the Governor's speech. Mr Lucchini said that unless the advantages of a tax clearly outweighed the gains, "it would be better to go on as we are now."

In the past, both the Communist and the Socialist parties have favoured a capital gains tax on shares. However, Governor Ciampi's proposal was clearly not intended to boost their, or any other party's, campaign.

He was stressing, instead, the need for a balanced system of taxation on all forms of income *in order to remove distortions.* But taken as a whole, his speech favoured greater use of taxation as a means of reducing the governm.nt's huge current account deficit.

Having emphasised his doubts that the official deficit target of L100,000bn would be achieved this year, Gov Ciampi spoke of the need to increase fiscal pressures in order to balance public finances.

The Bank of Italy's scepticism about the deficit target has been prompted by wage agreements that will push up the public sector pay bill by around 12 per cent this year instead of the 5 to 6 per cent budgeted, and by a raft of vote-winning spending legislation which was passed in the dog-days of the Parliament.

Plea for help over attacks in Alto Adige

By Alan Friedman in Bolzano

ITALY HAS asked West Germany and Austria for help in fighting a group of terrorists in the largely German-speaking Alto Adige region who last week carried out six bombing and shooting attacks.

The attacks, including bombings at Carabinieri barracks, sabotage of rail lines and the firing of machine guns at an Italian housing project, represent the first serious revival of violence in Italy's South Tyrol since the 1960s.

The semi-autonomous region, where 279,000 of the population of 430,000 speak German, has been torn by conflict since 1919 when Italy was awarded the Brenner frontier and the South Tyrol passed under Italian rule. *The present violence, according* to local authorities, is related to the Italian general election on June 14-15.

The authorities are investigating whether the attacks may have been supported from Austria, possibly Innsbruck. Some local politicians claim instead that the terrorism is the work of neo-fascist Italians seeking to polarise voters in the election.

Strike wins official backing in Bulgaria

By Leslie Colitt in Berlin

A STRIKE in a Bulgarian factory earlier this year has been hailed by *reform-minded* Communist party officials as a legitimate means of expressing workers grievances.

The stoppage at the Iskar engineering plant north-east of Sofia took place after workers' wages were reduced in the hydraulic section. When managers refused to talk with outraged workers and then removed one of their machines, 12 men stopped work for a week.

Mr Kosta Andreyev, a senior Bulgarian trade unionist, told the newspaper Sofia News that "it was really a strike — what's *so bad about that?*" Strikes had been considered "impossible in a Socialist society" for *too long.* He said the union had wrongly kept out of the dispute while management continued *using the "old methods."*

The plant's deputy director claimed the "change in remuneration" was linked to the lower cost of manufacturing components. The director said striking employees simply "were in no mood to work." The newspaper, however, said they had met their targets last year.

John Wyles watches Ciriaco de Mita rally support in the northwestern industrial city of La Spezia

Christian Democrat crusades for a famous victory

THE CANDIDATE was half an hour late, and the 600-strong audience in the civic theatre of La Spezia, was *shifting* impatiently. After the tape-recorded music, over-amplified and numbingly martial, had been replayed for the sixth or seventh time, the initial mood of patient anticipation in the faded and half-empty auditorium gave way to listless irritation.

Pretty similar, indeed, to the mood gripping the town as a whole during this campaign for the election of Italy's 10th legislature. No evidence, here, of centuries of habitation and culture; none of the aged-old vitality of a Bologna or a Venice. Instead, a town born artificially of the decision in 1860 to plant Italy's premier naval base and shipyards on the Ligurian coastline. Its architecture is a shuffled mix of shaded late-Victorian oclonnades, square-fasist building blocks and tacky post-war reconstruction.

La Spezia was not an easy election date for the candidate. Since he presented himself at the head of his party's list in the 1983 election, the town's decline has continued apace. All of its economic fortunes have long been invested in the state as entrepreneur in Oto Melara, the engineering and armaments company; in the naval shipyard of Muggiana in the pumps and compressors production at Termomeccanica; in the IP oil refinery and in the naval base itself.

Few establishments have escaped the need for reorganisation and redundancy as the state has struggled to reduce its industrial losses, in the process, wiping out the oil refinery altogether and leaving a large and sad patch of wasteland in the middle of the town. Unemployment has climbed to around 10,000, the young are voting with their feet, and the population has spiralled down to 108,000 because, explains the president of the chamber of commerce, Mr Sergio Melley, three residents have left every day for the past 20 years.

How aware was the candidate of the town's desire for regeneration? Would Mr Ciriaco de Mita, secretary of the Christian Democrat party, bring a message of hope, and and thus demonstrate an effort to close the gap in understanding and identification between people and politicians which is so regularly lamented on all sides in Italy?

His status as party leader was

clearly worth something in sympathy and support as he burst into the civic theatre to enthusiastic applause, possibly tinged with relief that the 40-minute wait was now over. As he looked down on his audience, he *could reflect with comfort that* in its sartorial aspect, collars and ties alongside open-necked shirts and jeans, the masculine component confirmed his Christian Democrats as the party of *all classes,* but also perhaps with some concern that it was predominantly middle-aged and pensioners.

Behind him was a sketchily arranged collage of his party's election posters, each an emblem of its campaign theme centred on the family and the injunction "Make the important things count." Though the birth rate in much of the country is averaging less than two children per family, here is a rosily preg*nant mother hugging her young* daughter on one poster, two children seated at a computer on another, a naked toddler on a third.

In short, they portray a party *which draws its inspiration from* Christian family values and is working to ensure a future of democracy and liberty for today's children.

During the *four* introductory speeches, the 59-year-old Mr de Mita chatted constantly to those flanking him on the platform, displaying only intermittent attention to what was being said. He was being told that the *people* of La Spezia are concerned about unemployment, particularly among the young and the female. about its effects on the family, about poor schooling, and about environ*mental* pollution.

Warmed by this rhetorical effusion, the audience granted the candidate somewhat louder applause than that which had greeted his entry. Mr de Mita walked to the rostrum, adjusted the microphones and, without a note, delivered "the speech."

Conversational in *style,* laced with the odd joke at the expense of his rivals (mostly of Mr Giovanni Spadolini, the Republican party leader whose political pretensions, we heard, *matched his girth), the* hour-long message, because frequently obscured by digressions, was more easily mined by the Italian than the foreign listener.

Little concentration was needed, however, to divine that Mr de Mita was on the defensive. He appealed, as he is doing constantly around the country, for a result comparable to April 1948 when the Christian Democrats took 48.5 per cent of the vote, routing the united Communist-Socialist left, and launching themselves on an unbroken 39 years in government. Those were undeniably years of growing prosperity and economic strength and, equally undeniably, established Italy's return to democracy.

Mr de Mita *stresses* that the only alternative government to one based on Christian Democracy is Communist, with all of the shadowy and unspoken (by him) consequences that might entail.

These are clearly less of a fear in La Spezia in 1987 than *they were in 1948.* For years, the Communists have been regularly taking 40 per cent of the vote to the Christian Democrats' 30 per cent, and the commune is currently run by a *Communist-Socialist coalition.*

But the Christian Democrat emblem, the crusader's shield, is not just tilted defensively against the Communists. The 1983 election was a far cry from 1948, delivering *just* 32.9 per cent of the vote to the Christian Democrats and robbing the party of its powers to insist on leading the subsequent coalitions with the smaller lay parties.

Mr de Mita knows that, without an improvement this time, his party will still be struggling to re-establish the claim to government leadership which was surrendered first *to* Mr Spadolini in 1981, and then to the Socialist Mr Bettino Craxi, in 1983.

So he talks of the need "to relegitimise" the party and offers its *inspiration* by Christian values, concern for the family and democratic commitment as reason for doing so.

"The electorate should know what it is voting for," concluded Mr de Mita, meaning that a vote in his favour is only incidentally a vote for particular policies to which he gave not a mention. Rather it is to maintain a system of coalition government dominated by his party. "It is like this and has always been like this," said the candidate to a closing applause which was polite, brief from an audience apparently anxious to be on its way.

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AMERICAN NEWS

As Volcker steps down at the Fed, **Paul Taylor** looks at the central bank's role

Fiercely independent body under attack

BY REPUTATION, and public acclaim, the chairman of the US Federal Reserve Board is the second most influential person in America—after the President.

In his eight years as Fed chairman, Mr Paul A. Volcker has consolidated and enhanced this reputation, even though his role at the head of the world's most powerful central bank has been under almost constant attack.

The Fed chairman's job has never been any easy one, in part because of the US central bank's dual role as key regulator and guardian of the financial system, and its responsibility for the conduct of monetary policy.

The seven-member board of governors is directly responsible for ruling on such issues as the roles and limits of commercial banking in the US and announces changes in the level of the discount rate. But the real power over credit policy resides in the 12-member Federal Open Market Committee.

he FOMC meets eight times a year behind closed doors and is made up of the chairman and six other Federal Reserve Board governors, appointed by the President, and five of the 12 presidents of the regional Federal Reserve Banks which comprise the Federal Reserve System.

A summary of its deliberations, often mistakenly called the minutes, are published six weeks after the meeting and eagerly awaited by Wall Street gurus and Fed-watchers in the hope of divining shifts in the Fed's monetary stance.

It is at FOMC meetings that key decisions, such as the supply of reserves to the banking system and changes in the monetary targets.

against Mr Volcker in favour of a discount rate cut.

The composition of the FOMC is of crucial importance to the Fed chairman since, despite its collegiate reputation, the President can nominate a majority of its members.

Until last year Mr Volcker's majority, and authority, within the FOMC and on the board of governors, was not in doubt. But in February last year Wall Street's confidence was shaken for the first time when it emerged that the then Fed vice chairman, Mr Preston Martin, together with three other Reagan appointees, Martha Seger, Mr Wayne Angell and Mr Manel Johnson, had voted against Mr Volcker on a discount rate cut.

Although the vote was quickly reversed—apparently after Mr Volcker threatened to resign, and Mr Martin subsequently quit, the episode underlined concerns that the President was packing the Fed with his own appointees.

Today, five of the seven Fed governors are Reagan appointees and Mr Alan Greenspan's appointment could decisively tip the balance towards a more accommodative monetary posture.

What is also certain is that the new Fed chairman will also have to defend the US central bank's fiercely guarded independence from more obvious external attack. Although technically independent from both Congress and the Administration since it was set up in 1913, the Fed has increasingly been the target for political attack.

Move causes shockwaves among bankers

Stock markets reacted sharply, but Mr Volcker's replacement met with general approval, FT correspondents report

MR PAUL VOLCKER'S departure, and the extraordinary reaction of the currency markets to his announcement, will put even more pressure on next week's summit in Venice to produce credible economic agreements, John Wyles writes from Rome.

This was the early conclusion being drawn in Rome last night amid hectic final preparations for the seven-nation summit which will be hosted by Mr Amintore Fanfani, the caretaker Italian Prime Minister.

Despite reports of divisions between the US, West Germany and the UK over economic policy co-ordination, the Italians have been increasingly optimistic that the summit will yield important clarification of Japanese intentions and some progress on moves to stabilise currencies around present levels.

The Bank of Italy attributed the early market reaction to yesterday's news to the strength of the "Volcker myth." Although his successor lacks central banking experience, he is seen as a credible chairman of the Federal Reserve Board both because of his standing as an economist and his experience as chairman of President Nixon's Council of Economic Advisers.

"He is a conservative, an orthodox monetarist who ought to bring interest rates up if there are problems with the dollar and inflation," said one senior official.

Andrew Fisher writes from Frankfurt: The news drew a surprised but generally favourable reaction from West German officials and bankers.

"He is someone who makes stability a priority," said Mr Hermann Rempsberger, chief economist at BHF-Bank in Frankfurt. "He is not too far from the Volcker line and the choice seems a satisfactory solution, thought change always causes unrest."

On the foreign exchange market, the dollar fell sharply on the news, again dropping below the DM 1.80 level after its recent rise to over DM 1.84. "It confused the market," said Mr Silvio Ammann, head of foreign exchange at Citibank AG.

"We shall have to see if Greenspan follows the same tight monetary policies as Volcker," he added. "But if Reagan has chosen him, it must be because he thinks he will follow the line."

Within the Bundesbank there was regret at Mr Volcker's departure, but confidence that god relations would be maintained with his successor. Mr Volcker and Mr Karl Otto Poehl, president of the Bunesbank, have been friends and colleagues for many years. In recent speeches Mr Poehl has quoted Mr Volcker's comments in favour of currency stability.

Some reservations were expressed by bankers, however, about Mr Greenspan's lack of experience in practical monetary and currency affairs, especially at a time of foreign exchange turbulence, world debt crisis and acute imbalances between major economies.

In Bonn Mr Gerhard Stoltenberg, the Finance Minister, paid tribute to Mr Volcker, who he said was held in "great esteem" in West Germany. He called him "one of the important chairmen of the Federal Reserve Board in the history of thet US." Mr Grenspan, he added, "is an experienced and capable man, who I wish all the best for his office."

David Housego writes from Paris: Officials of the French central bank viewed Mr Volcker's departure with regret. Shey described him as a great banker who in recent months had prevented an excessive weakening of the dollar.

Among commercial bankers the view was that the move was part of profound changes in US policy—including a new treatment of provisions by the commercial banks and shifts in the Baker plan on developing country debt.

Some bankers expressed concern over the direction of US monetary policy—while expecting Mr Greenspan to reaffirm Mr Volcker's anti-inflationary goals.

Clare Pearson writes from London: Eurodollar fixed rate bond prices fell sharply yesterday by around 1½ percentage points following the announcement. In shocked trading, dealers marked down prices virtually in line with the US Treasury bond market, in order to maintain the existing differential between US Treasury and Eurobond yields.

Trading was confined to professionals, however, with limited retail selling emerging. This reflected the low investor interest in the Eurodollar bond market recently.

Prices in other currency sectors of the Eurobond market also eased initially, although later registered small gains as the dollar fell against major currencies. In particular, Euroyen bonds picked up around ⅜ percentage point towards the end of the day, following a sharp appreciation in the yen against the dollar.

D-Mark Eurobond prices improved by about ¼ percentage point during the day.

David Owen adds from Chicago: "Paul Volcker has done an extraordinary job at a most difficult time in the economic life of this country," said Chicago Mercantile Exchange chairman Mr Jack Sandner. "He brought to the Fed leadership and direction.

"Although he will be missed, the choice of Alan Greenspan to replace him is an excellent one.

Agencies add: Financial markets in New York were stunned to learn of the move, but began to recover after dropping sharply.

On Wall Street, the Dow Jones Average of 30 industrial stocks fell 22 points within minutes of the announcement but had recovered all of that and gained another four points within an hour after the news broke.

Many financial analysts were shocked at the impending departure of Mr Volcker, widely seen as one of the most stabilising influences in the US and world economies. Many expressed doubts that Mr Greenspan has sufficient experience to handle the highly sensitive job.

Mr Alan Sinai, chief economist of Shearson Lehman Brothers, said the news would have only a short-term effect on financial markets.

"The markets should not go into a panic," Mr Sinai told a fixed-income conference in New York sponsored by the Institute for International Research.

He said he thought that Mr Volcker was one of the best Fed governors in the country's history.

In The Hague Dutch Finance Minister Mr Unno Ruding welcomed the appointment of Mr Greenspan. "The minister feels the choice of Alan Greenspan is an excellent one," said a spokesman for Mr Ruding, who also chairs the policy making committee of the International Monetary Fund.

But Mr Ruding expressed regret over Mr Volcker's departure, saying he had "great appreciation for the work he has done all these years," the spokesman said.

In Zurich, the decision was *a shock* for the financial markets and the world economy Mr Hans Mast, senior economic adviser to Credit Suisse First Boston, said.

"The markets will believe there will be pressure for a more expansive policy (in the United States)," he said.

RESIGNATION LETTER

'A natural time has now come'

'Dear Mr President,

As the end of my term as chairman of the Federal Reserve Board approaches, you naturally have to consider an appropriate new appointment.

In that connection, you will recall that, upon my reappointment as chairman in 1983, I felt unable to make a firm commitment to you or to the Congress to remain in office for a second full four-year term. Despite my reservations at the time, that term is in fact now almost finished.

However, I do think, after eight years as chairman, a natural time has now come for me to return to private life as soon as reasonably convenient and consistent with an orderly transition. Consequently, I do not desire reappointment as chairman and I plan to resign as governor when a new chairman is prepared to assume office.

I will be leaving with a sense of great appreciation for your unfailing courtesy to me personally. More broadly, your consistent support of work of the Federal Reserve during a particularly challenging period for it, for the financial system, and for the economy has been critical to whatever success we have had.

Without doubt, strong challenges remain for all of those involved in economic policy.

In that effort, I believe the nation will continue to be well served by a strong Federal Reserve System—a system firmly dedicated to fostering economic and financial strength and stability and able to bring to that effort a combination of sound and independent professional judgment and continuity beyond any partisan considerations.

May I add, too, my personal best wishes for the remainder of your own term in office during which you have done so much to restore a sense of confidence and self-reliance among the American people.

Faithfully yours,

Paul A. Volcker'

State Department official was told to keep eye on North

BY LIONEL BARBER IN WASHINGTON

MR ELLIOTT ABRAMS, the senior US State Department official responsible for Central American policy yesterday, testified to the Congressional Iran/Contra hearings that he had been instructed by superiors to keep a close watch on Lt-Col Oliver North, the sacked White House aide.

In September 1985, when Lt-Col North's activities in support of the Contra rebels in Nicaragua first became public in the US press, Mr George Shultz, Secretary of State, told Mr Abrams: "Monitor Ollie."

But Mr Abrams said he did not ask "a lot of questions" about Lt-Col North's involvement in fund raising in support of the Contras because he assumed they were legal. Nor did he give any detailed reports to Mr Shultz throughout 1985 and the autumn of 1986, when it was disclosed that Lt-Col North had *helped supply* the Contras with weapons during a Congressional ban on US military aid.

Mr Abrams, accompanied by his mother, wire and lawyer, appeared a combative witness eager to defend his role and to attack Congress for producing ambiguous language covering the ban on Contra aid.

Mr Abrams has been accused of misleading Congress in testimony to earlier committees on the Contra aid effort. He has also come nder pressure because the former US Ambassador to Costa Rica, suggested in his testimony to the committee that he was instructed by an official inter-agency group to set up a "southern front" to help the Contras.

Yesterday Mr Abrams denied that he had given any such instructions and suggested that Mr Lewis Tambs, the ambassador, was under the control of the CIA station chief in Costa Rica.

Referring to an apparent approval by Mr Tambs of an arms supply agreement between the retired US General John Singlaub, and the former rebel leader, Eden Pastora, Mr Abrams said: "Talk about violations of the Boland Amendment (the Congressional ban) . . . Jesus, this is unbelievable."

one point he said he and other officials had debated whether sending wrist watches to the Contras was legal under humanitarian aid. "The big question was 'What was doable'".

Academic takes over as Premier of Barbados

BY OUR BRIDGETOWN CORRESPONDENT

MR ERSKINE SANDIFORD, a 50-year-old academic, took over as the fourth Prime Minister, of Barbados in two years yesterday after the sudden death in office of Mr Errol Barrow, one of the Commonwealth Caribbean's most influential leaders.

Mr Barrow, aged 67, died at his home on Monday barely a year after his Democratic Labour Party regained the government from the Barbados Labour Party in elections on May 28, 1986.

Although one of the region's most durable politicians, Mr Barrow had not been well for some time. The cause of death was not announced.

His death removes from the scene another of the political leaders who carried their countries to nationhood from British colonial rule in the 1960s. Dr Eric Williams of Trinidad and Tobago died in 1981 and President Forbe Burnham of Guyana in 1985.

Mr Barrow first carried his party to power in elections in 1961, retaining it fo thee consecutive five-year terms during which Barbados became independent on November 30 196·

A strong advocate of regional integration and independence, Mr Barrow initiated the Caribbean free trade area along with Mr Burnham and Mr Vere Bird, the Antiguan Prime Minister, in 1961, retaining it for three con-1973 by the wider Caribbean community (Caricom).

After a period out of power Mr Barrow inflicted a shattering defeat last year on the BLP led by Mr Bernard St John.

Lebanese unite in strike over Karami murder

BY OUR FOREIGN STAFF

LEBANESE Christians and Moslems yesterday joined in a *nationwide strike* to mourn the assassination on Monday of Prime Minister Rashid Karami, who died when a bomb exploded aboard his helicopter.

Businesses and shops remained closed as President Amin Gemayel ordered a week of national mourning and announced a state funeral for the *65-year-old Sunni Moslem today.*

Mr Karami was killed and 13 others injured when a bomb gutted a military helicopter carrying him from his home town of Tripoli in northern Lebanon to Beirut. A previously unknown Islamic fundamentalist group, Vengeance Organisation for the Martyrs of Islam, yesterday claimed responsibility for the assassination, although there has been no verification for the claim.

Hoss: vows to pursue policy of dialogue.

President Gemayel yesterday appointed Mr Selim al-Hoss, the 57-year-old Sunni Labour and Education Minister as acting Prime Minister. Mr Hoss, generally viewed as a moderate headed a Lebanese Government *from 1976-80.*

He vowed to pursue Mr Karami's policy of attempting to open a national dialogue. "We should aim to correct the problems caused by the political impasse. This is what Karami was always asking," Mr Hoss said.

Syria, a strong supporter of Karami, announced three days' state mourning and urged Lebanon to follow Mr Karami's pro-Arab, anti-Israel line.

"They dream that by this killing they can dam the nationalist current whose roots go to the breast of every Lebanese . . . who wants to drive the invading Zionists (Israelis) from his land," official Damascus radio said.

Although there was mourning throughout the country, Tripoli was the focus of the most widespread displays of grief. "Tripoli mourns its son," reads a big black banner over the southern entrance of the mainly Sunni Moslem city.

At Mr Karami's house, hundreds of women sobbed and wailed as they filed past the small room where guards with *black-ribboned swords* watched over the dead man's coffin. A state funeral will be held tomorrow.

Men paid their respects to Mr Karami's two weeping brothers, Maan and Omar, at a palace nearby where Mr Karami had his office.

Chun backs Rho as presidential candidate

By Maggie Ford in Seoul

PRESIDENT Chun Doo Hwan of South Korea yesterday gave his backing to Mr Rho Tae Woo, deputy leader of the ruling Democratic Justice Party to be the candidate for president in the election to be held later this year.

His decision, after months of speculation, about Mr Rho's position, in effect, means that the former general and close associate of the president will take over his title next February.

Although an election is to be held later this year, opposition parties are unlikely to take part because they view the electoral system as giving them no chance to win. President Chun, who took power in a military coup in 1979, has always pledged that he will step down at the end of his seven year term next year.

The President's decision follows a particularly difficult week for the government. Eight of the most senior members of the Cabinet including the Prime Minister, were sacked over the police cover up of an inquiry into the death of a student. One of Mr Rho's first tasks will be to convince a sceptical public that the Government has been sincere in its reactions to the outrage over the death, which took place while the student was being tortured by police.

Britain repeats Iran protest

By Andrew Gowers, Middle East Editor

IRAN'S top diplomat in London was summoned once again to the Foreign Office yesterday for further remonstrations over the kidnapping last week of a senior British diplomat in Tehran.

Mr Akhundzadeh-Basti, the Iranian chargé d'affaires, was asked by Mr Timothy Renton, Minister of State, to try to secure a meeting for the British chargé in Tehran with Mr Ali Akbar Velayati, the Iranian Foreign Minister, who has just returned from a visit to Arab states in the Gulf. The chargé, Mr Christopher MacRae, has had no high-level meetings in Tehran since the incident despite repeated requests.

Israel to pick consultants

BY ANDREW WHITLEY IN JERUSALEM

THE Israeli Government expects to decide early next month between three rival foreign contenders—one British and two American—shortlisted to act as consultants on a five-year privatisation programme.

The rival bids to handle an exceptionally wide-ranging brief come from N. M. Rothschild, the British merchant bank, First Boston and Shearson Lehman, the leading US financial institutions. While Rothschilds are reckoned to have an inside edge, a senior official said recently the choice would be a very difficult one.

Israel has talked on and off in recent years about selling some of the over 200 companies in state hands to the public,

John Elliott assesses the importance of Mr Gandhi's flotilla of relief boats

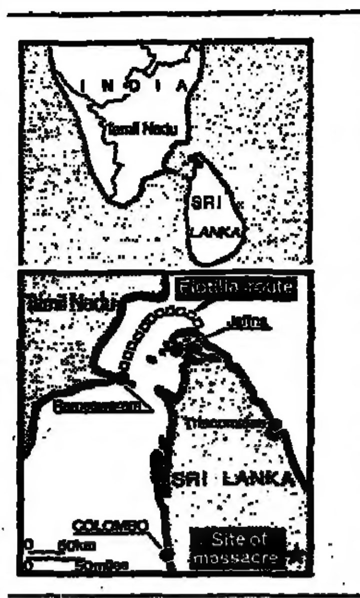
Sri Lanka finally exhausts India's patience

INDIA'S plan to send relief boats into Sri Lankan territory, has finally made clear, after years of frustration, that it intends to have a more direct say in the fate of the island's 2m Tamils in an increasingly violent ethnic crisis.

Irrespective of how events unfold in the next few days, the relationship between these two neighbouring but vastly different countries will never be the same again. To the people of Sri Lanka's majority Sinhalese race, India seems to have confirmed their worst fears that one day it would try to invade their small island. "Will Indian troops follow?" was a question often asked here yesterday.

"The relief boats are the basis of a message we want to send to Sri Lanka that they cannot continue generating tensions, killing Tamil civilians and not solving their basic ethnic problems," Mr J. N. Dixit, India's influential High Commissioner in *Colombo, said in an interview* yesterday.

"We want their military offensive to stop. They have a systematically escalating pogrom *against the Tamils.* My prime minister has said he cannot accept genocide," Mr Dixit added, referring to the military operations which Sri Lankan armed forces have waged against Tamil extremists on the northern Jaffna peninsula in the past eight days.



For the first time, Mr Rajiv Gandhi, Indian Prime Minister, has taken an aggressive step towards one of India's smaller neighbours which is more reminiscent of the policies of his mother, the late Mrs Indira Gandhi, than his own earliest professed desire to improve regional relationships

For the first time Mr Rajiv Gandhi, Indian Prime Minister, has taken an aggressive step towards one of India's smaller neighbours which is more reminiscent of the policies of *his mother, the late Mrs Indira* Gandhi, than his own earlier professed desire to improve regional relationships.

There will be some suspicions that Mr Gandhi has adopted his aggressive stance partly to bolster his own dwindling public image in India and to help his Congress I Party's chances in a key regional election which takes place in the northern Indian state of Haryana later this month.

Mr Gandhi has also been under pressure from India's southern state of Tamil Nadu, where there are 50m Indian Tamils closely linked with those in Sri Lanka.

India has, however, also become increasingly uneasy about links between Sri Lanka and *two of its more interventionist* neighbours, Pakistan on its western border and China to the north. Pakistan, which yesterday offered the country relief aid, has trained hundreds of Sri Lankan soldiers to fight the Tamil extremists, and China has been supplying defence equipment on what are believed to be very soft terms. This help has contributed to a dramatic improvement in the Sri Lankan armed forces' effectiveness in the past two years.

For over three years, Mr Gandhi has tried to conciliate on the Tamils' claims for some form of devolution between the Sri Lankan Government of Mr Junius Jayawardene, and representatives of the Tamils based in the southern Indian city of Madras.

Although the extremists have frequently walked away from possible settlements, India believes that it is the intransigence of Sri Lanka's Sinhalese-dominated Government, backed by *Buddhist priests,* which is most to blame for continual conciliation failures.

Sri Lanka argues that India could end the crisis, if it closed *down extremists' safe havens in* Tamil Nadu. It is especially angry at cheques for over $3m, recently given to Tamil organisations by the state government of Tamil Nadu.

In the past few months it has decided to concentrate primarily *on* achieving military victories rather than a negotiated settlement, and the campaign launched in Jaffna last Tuesday marked the start of the major push against Tamil strongholds.

While privately understanding Sri Lanka's wish to eliminate leading Tamil extremists, India fears that these battles would involve widespread killing of innocent Tamil civilians, perhaps as many as 10,000 if a full attack was launched in Jaffna city. Sri Lanka, however, puts civilian deaths so far at no higher than 40 and has given the impression it would wait for Jaffna city to be evacuated before launching any final attack.

But India accuses the Sri Lankan Government of discriminating against the Tamil *minority for many years* and now believes that Sinhalese soldiers would have no compunction about mass Tamil civilian deaths.

The flotilla of boats due to sail this morning is a message that, after 40 years of the two countries' independence from British rule, India's patience with Sri Lanka's policies on the Tamils is exhausted. What India might do next is not known, but Sri Lanka is supposed to understand that the 20 boats carrying food, kerosene and journalists *are merely the first step of a* new era, from which there is no going back.

Botha to visit black townships

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. BOTHA — the first white leader ever to visit a black township shortly after becoming Prime Minister a decade ago — is to visit the East Rand townships of Sharpeville and Sebokeng later this week. His decision to visit the townships whose eruption in September 1984 sparked of waves of violent black protest comes only days before two emotive anniversaries, June 12, anniversary of re-imposition of the current state of emergency and June 16, 11th anniversary of the 1976 Soweto rising.

The high profile visit tomorrow, during which he will be granted the freedom of the East Rand Lekoa townships from black councillors is partially meant to symbolise confidence in the return of "normality" to the heavily patrolled townships. But it is also aimed at underlining the recently re-elected National Party Government's commitment to improve amenities and black housing and seek "moderate" black allies prepared to co-operate with Pretoria's constitutional plans.

These include the granting of autonomous "city state" powers to the larger black conurbations and the co-option of "moderate" black leaders into membership of the proposed "National Statutory Council," an advisory body to be chaired by Mr Botha himself.

Mr Botha is also expected to make an attempt to defuse the rent boycott, which began on the East Rand nearly three years ago, possibly by offering easy terms for long-term tenants to acquire their own homes from the council.

During his speech opening the new session of parliament *last month Mr Botha signalled* the urgency of government efforts to forge new political alliances with moderate blacks by announcing that he would personally take responsibility for negotiations with black leaders. This was widely interpreted as a set-back for Mr Chris Heunis, the Minister for Constitutional Development, who up to now has been responsible for trying to arrange negotiations with blacks. The stumbling block up to now has been that the terms offered by the Government have been perceived by leaders, such as Zulu Chief Gatsha Buthelezi, as being tantamount to political suicide.

Uganda severs electricity supply link with Kenya

BY ANDREW BUCKOKE IN NAIROBI

ELECTRICITY from Uganda's Owen Falls generating plant, which normally accounts for about 10 per cent of Kenya's needs, was cut off on Sunday without notice in a move likely to exacerbate the already strained relations between the two countries.

Officials of the Kenya Power and Lighting Company (KPLC) said that they had received no notice and have been given no explanation.

The disruption appears to contradict President Daniel arap Moi's assertion earlier this week that trading ties between the two countries were normal.

KPLC officials said yesterday that the disconnection will not affect consumers in Kenya as there is an adequate locally generated supply.

Road, rail and telephone links between the two countries have all been disrupted in recent weeks. Serious restrictions on border crossings have led to the pile up of about 70,000 tonnes of Ugandan imports and exports between the capital Kampala, and the Kenyan port of Mombasa, although some cargo is still moving.

Uganda has been attempting to switch more of its trade to the railway service through Kenya because it is cheaper. At the same time, fees for trucks entering Uganda have been increased. The development has angered the powerful Kenyan road haulage lobby.

Attempts to arrange a high level meeting to resolve the dispute have so far failed.

Japan car sales in Europe 'likely to fall by 5%'

BY IAN RODGER IN TOKYO

JAPANESE car sales in Europe are likely to fall by about 5 per cent this year, an official of Toyota Motor has predicted.

Mr Takahisa Fujita, general manager of Toyota's Europe department, said that the latest export statistics for April and May show that European governments' worries about the surge of shipments of Japanese cars in the first quarter were unfounded.

Exports were up 25 per cent in the first quarter compared with the same period of 1986, but grew only 2 per cent in both April and May. Mr Fujita predicted that shipments would be down 5 per cent next month and the declining trend would continue.

Mr Fujita said the surge in the first quarter was due to the late introduction of export restraint measures imposed by the Japanese Ministry of International Trade and Industry and aimed at limiting growth in *exports to Europe last year* to 10 per cent.

In order to meet that limit, shipments in the final quarter had to be severely curtailed which in turn caused dealer inventories in Europe to dry up.

The surge in first quarter shipments was aimed at restoring inventories.

He suggested that European governments should have been watching the sales figures in the first quarter, which showed Japanese car sales in Europe were down 5 per cent to 315,100 units.

He attributed the decline partly to the fact that Japanese car-makers had raised their European prices by about 7 per cent last year compared to 3-4 per cent increases by European makers.

But the main factor was that last year's sales were exceptionally strong because some European governmnets offered tax incentives for cars equipped with certain emission control equipment, and Japanese products were ready before some European producers. This factor no longer applied.

Mr Fujita said that while there was no need at present *for Japanese manufacturers to* continue restraining their sales to Europe, he thought it would be useful to maintain a system as a safeguard.

"Maybe it is better to have some guidelines to make sure that we stay prudent," he said.

Wartsila awarded FM 1bn Soviet factory order

BY OLLI VIRTANEN IN HELSINKI

WARTSILA, the Finnish metal and engineering group, has won a FM 1bn (£153m) contract to build a diesel engine factory in the Soviet Union.

The factory, to be completed in 1990, near Leningrad, will initially produce 100 Vasa 22 and 32 engines a year, but is expected to produce 400 engines in the early 1990s.

Wartsila will build the factory with Finn-Stroi, the consortium owned by Finland's largest construction companies, mainly for projects in the Soviet Union.

Wartsila is one of the world's leading manufacturers of medium-speed, heavy fuel diesel engines mainly used as main and auxiliary engines in ships.

Vasa 22 and 32 engines are are also widely used in power plant applications such as electricity generation on oil rigs and as stand-by power plants in factories.

The factory will be owned and run by Soviet authorities.

Finland has been running a huge trade surplus with the Soviet Union which has led to many negotiated construction projects being mothballed.

In January, however, the two countries signed a protocol which set bilateral trade in 1987 at FM 27bn-FM 32bn. This compares with FM 29bn the previous year, which was FM 8bn down on the planned level.

Airport loan resolves Paris, EC row

By William Dawkins in Brussels

THE EUROPEAN Investment Bank (EIB) has ended a fierce political row involving the Paris Government and the European Commission, with the announcement of an Ecu 8.6m (£6m) loan for a second terminal at Nice Airport.

EIB officials are understood to have been furious when the Commission refused to give its formal approval to the loan earlier this year on the grounds that the proposed tendering arangements for the airport contract was contrary to EC rules on open public procurement.

Brussels competition authorities, which are taking an increasingly tough line in support of fair procurement, objected to the fact that the Chambre de Commerce et d'Industrie de Nice et des Alpes Maritimes, which holds a Government concession for operating the airport and is borrowing the money, wanted to reserve about half the contract for locally-based companies.

The Commission's approval is not essential for EIB loans, but its dissent could provoke splits among bank board members, which have to be unanimous on major lending decisions.

The Commission argued that the bank had a duty as an EC institution to enforce EC directives, in this case a measure obliging public authorities to accept tenders throughout the Community for major public works contracts.

Bank officials replied that their duty as commercial lenders was to put clients first and that in any case, the Commission's line was inconsistent with its previously liberal view of EC public procurement rules.

The deadlock was only broken *when the French Government* intervened, with the result that the Commission agreed to let the loan go ahead as planned

This was in return for a promise from Paris that all future public works contracts would conform with the Brussels authorities' interpretation of EC procurement rules. "This should clear up some very major grey areas," a Commission official said yesterday.

Nice airport handled 4.5m passengers last year, mainly tourists. The new terminal, which will cost almost FFr 300m (£30.2m), will be able to handle another 2.5m passengers annually,

New sea transport rules sought

BY WILLIAM DULLFORCE IN GENEVA

CARGO OWNERS are planning a worldwide campaign to persuade governments to ratify new rules for sea transport that would shift the burden of freight insurance to shipowners.

A battle for government ears between national shippers' councils on the one side and insurance companies and shipowners on the other is in prospect.

This arises after shipper organisations from 21 countries reached a united position this week at an informal meeting in Geneva arranged by the International Chamber of Commerce and the UN Conference on Trade and Development.

US shippers in particular will press the Reagan Adminis*tration to ask for a* Senate hearing and ratification of the UN convention on the carriage of goods by sea.

Agreed by 67 nations at Hamburg in 1978 and subsequently dubbed the Hamburg Rules, the convention would replace archaic Hague Rules dating from 1924 and partially revised in 1936.

Strongly opposed by shipowners and insurers, the convention has so far been ratified by only 11 countries, nine short of the number required for it to come into force.

A catch-22 situation has developed, according to Mr William Augello, executive director of the Shippers National Freight Claims Council of New York, under which other nations have been waiting for a US lead while the US Administration has said it would act when its trading partners ratify.

A catch-22 situation has developed where other nations have been waiting for a US lead, while the US Administration has said it will act when its trading partners ratify

*The insurance premiums in*volved amount to many billions of dollars a year, according to Mr Augello, but he claimed that the International Union of Marine Underwriters represented at this week's meeting had declined to give exact figures.

Shipper organisations from countries accounting for more than 60 per cent of world trade, including all the major European traders but not Japan, will now press governments for early ratification of the Ham*burg Rules.*

West Germany is ready to ratify, and France and Italy have legislation in hand, Mr Augello said. The strongest opposition comes from Britain.

The Hague Rules currently covering sea freight insurance were "the most unconscionable, inequitable liability scheme ever devised by man," Mr Jon Gillieron, vice-chairman of the *Commercial Conditions* Committee of the Australian Shippers' Council, said.

Liability is fixed at a maximum of £100 a package. US courts have in some cases decided that a 40-ft container was a "package" irrespective of the value of its contents, Mr Augello said.

Under the Hague Rules, a shipowner escapes liability for loss of cargo due to "negligent navigation." Mr Augello cited cases in which ships passing on *the wrong side of a bridge,* failing to use radio beacons and heading into a storm with a damaged hatch cover have not been adjudged to impose liability on the shipowner.

With the proposed Hamburg Rules, a shipowner would have to prove that his captain and crew had not been negligent when a cargo was lost or damaged, to avoid paying.

Maximum liability is raised to SDR 835 (£500) a package but a package is defined as the shipping unit designated in the insurance document. Thus, 600 bales of cotton would count as 600 packages.

A shipowner would be responsible for cargoes from delivery at the dock gate until he had received a discharge at the port of arrival, instead of as now being liable only "from tackle to tackle."

Cargo owners would be able to claim higher compensation for loss or damage and would pay lower premiums under the Hamburg Rules, Mr Augello said.

Shipowners would have to raise their insurance cover to meet the greater risk.

Community entry has brought a consumer boom, **Diana Smith** reports

EC challenge for Portugal's exports

SEVERAL brands of French Camembert are not the only novelty in Portuguese supermarkets since EEC accession. The range of EEC durable or perishable consumer goods has grown to the point where you can now polish your kitchen sink with Italian cloths, scour your tub with German bathroom cleanser, nibble French garlic sausage or Dutch Mars bars, grow fat on Belgian handmade chocolates or munch a British biscuit.

You would be hard put to find Irish or Greek products on the supermarket shelves: these two EEC partners have not yet taken advantage of the Portuguese consumer boom.

EEC membership means that in January four EEC nations—West Germany, Britain, France and Spain — accounted for Es 52.8bn ($370m), or 44 per cent of the Es 122bn ($854m), which Portugal spent on imports. In the first month of this year imports grew by 18.6 per cent in dollar terms compared with January 1986. Exports also grew by 19.4 per cent, showing that *Portugal is* responding aggressively to the strong tide of EEC imports.

The same four EEC countries absorbed almost 50 per cent of January's exports of Es 85.4bn: in that month Portugal imported Es 15.1bn from and exported Es 14.1bn to West Germany. It imported Es 12.9bn from and exported Es 10.9bn to Britain—giving Britain a small surplus for the first time in three years. It imported Es 12.5bn from and exported Es 14.2bn to France, now the largest per capita consumer of port wine superseding the UK, and imported Es 12.3bn from and exported Es 6.9bn to Spain. *In one year Spain has* become one of Portugal's main suppliers and is largely responsible for the growth of Portugal's trade deficit with the EEC.

Portugal imported Es 72.6bn from all EEC countries in January, compared with Es 59.4bn in January 1986 — a 29.6 per cent increase. It exported Es 60.9bn (71.2 per cent of all exports) to EEC partners — 15.6 per cent more than January 1986, permitting coverage of EEC imports by exports to the Community of 83.8 per cent compared with 94 per cent in January 1986. The decrease in the rate of coverage may worsen when all protective *transition periods expire in* 1989 and aggressive EEC exporters are free to sell whatever they wish to Portugal.

Meanwhile, the drive of Spanish exporters is powerful. Although the trade gap between the two neighbours is strongly in Spain's favour, Portuguese exporters have narrowed it gradually from only 40 per cent coverage of imports by exports in early 1986 to coverage of just over 50 per cent in early 1987. This is no mean task in the face of tough Spanish customs procedures that in the early montes of EEC membership badly cramped the style of Portuguese exporters.

Among items that fuelled trade growth are vehicles and components. Imports of completely knocked down vehicles and components became freer on EEC accession, though there are still protective quotas on imports of completely built up vehicles. Portugal is becoming a component *and vehicle exporter in its own* right with expansion of Renault, General Motors and Fiat units. Vehicle imports in January were 42 per cent *greater than January 1986.*

Imports of cotton and synthetic fibres, of boilers, machinery equipment and instruments were also up: 11.2 per cent for cotton, 15.8 per cent for synthetic fibres and 14.3 per cent for machinery and equipment.

Life in the EEC provides opportunities for the better-heeled Portuguese consumer and is downwright challenging for the exporter.

Egypt and Iraq sign barter deal

By Andrew Gowers, Middle East Editor

EGYPT AND IRAQ, which have been developing increasingly close political relations as a result of Egyptian support for Baghdad in the Gulf war, have signed a barter deal in which Iraq will swap $100m (£66m) worth of sulphur, cement, aluminium chloride and fertilisers for Egyptian textiles, chemicals, aluminium and water pumps.

The agreement was signed recently by Dr Yusri Mustafa, Egyptian Economy Minister, and Mr Hassan Ali, the Iraqi Trade Minister during a meeting in Cairo, Egypt's Middle East News Agency reported.

The ministers also agreed to tackle some of the disputes which have been troubling relations between their countries. These include the settlement of Iraq's debts to Egypt Air, which are believed to be substantial, and Iraqi restrictions on Egyptian workers' remittances.

There are large numbers of Egyptian workers in Iraq, and a ceiling imposed by Baghdad on the proportion of earnings they can remit home — an important source of foreign exchange for Egypt — has caused considerable irritation in Cairo.

Swiss income from tourism shows 4.5% fall

By John Wicks in Zurich

SWITZERLAND's income from tourism last year showed its first drop since 1978. Provisional figures point to a fall of some 4.5 per cent over 1985 figures, to some SwFr 9.69bn (£4.2bn).

Since Swiss tourists increased their own spending abroad by 2.5 per cent to SwFr 7.47bn, the traditional tourism surplus in the country's balance of payments fell by 22 per cent to SwFr 2.22bn.

Some SwFr 200m, or almost half of the SwFr 430m loss of foreign-tourist income last year, was accounted for by the sharp fall in hotel bookings

While the Swiss are believed to have something like 3 per cent more tourist stays abroad in 1986, their spending on holidays and outings at home is seen as having remained stable at around SwFr 6.4bn.

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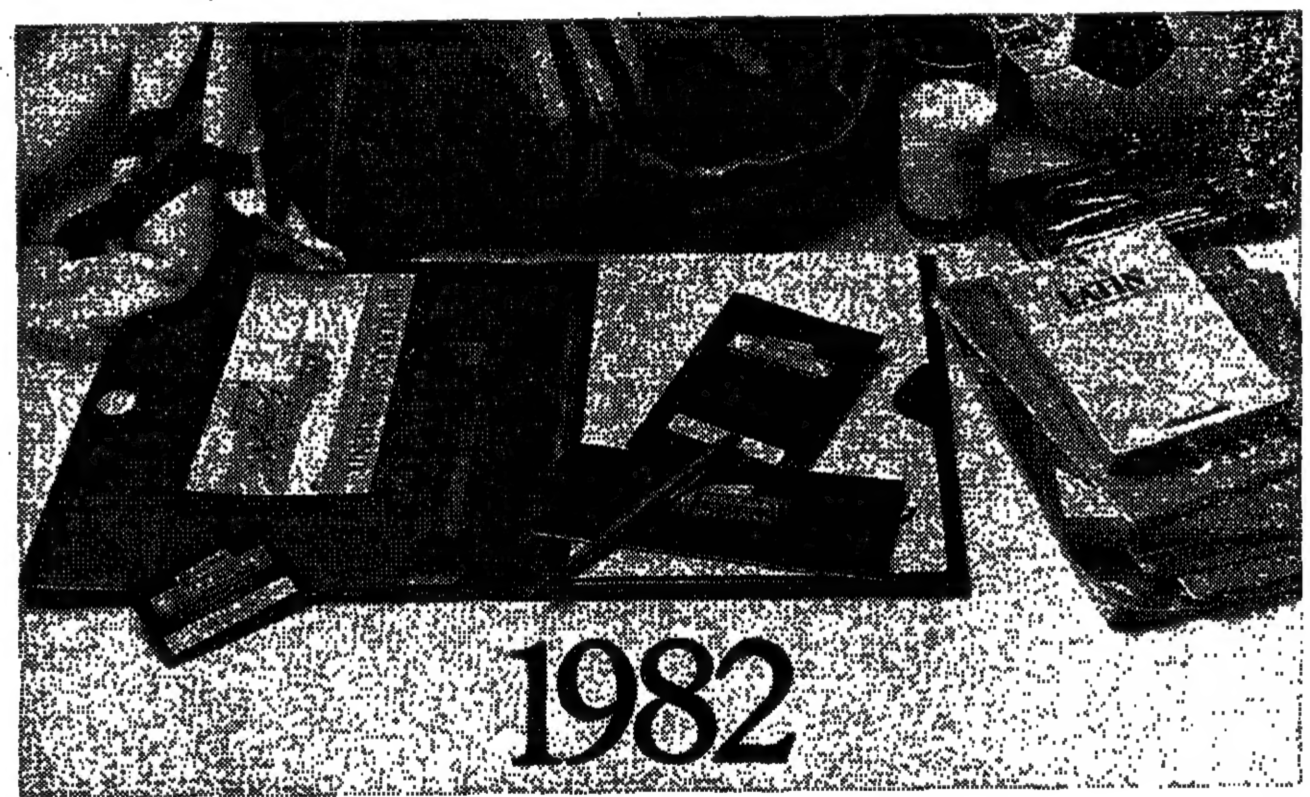

March 1st. We launched the first account for young savers.

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BARCLAYS

'Spy book' newspapers cleared of contempt

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THREE NEWSPAPERS that published extracts from the memoirs of former MI5 officer Mr Peter Wright were not guilty of criminal contempt of court, a High Court judge ruled yesterday.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor – senior judge of the Chancery Division – rejected an argument by the Attorney General, Sir Michael Havers, QC, that the Independent, the London Evening News, the London Evening Standard and their editors were in criminal contempt because they knew that injunctions berring publication had been made against the Guardian and Observer newspapers.

The Attorney General was seeking to widen the application of the criminal contempt law, the judge said. Contempt proceedings were not the appropriate sanction against someone against whom no court order had been made and who had not aided or abetted a breach of an order. To hold otherwise would be to subvert the basic principles of English civil law and introduce into it uncertainty and unfairness.

However, the judge said, he reached his conclusion with some concern.

"There ought to be some sanction against the publication of matters which prejudice national security and the decision as to what does prejudice national security should not be left to the individual judgment of the the editors of individual newspapers.

"I had assumed that the Official Secrets Act provided the necessary sanction. If it does not then it is for Parliament, if it thinks fit, to provide the necessary sanction."

The Attorney General is to appeal, possibly today, against the judge's ruling.

Mr Andreas Whittam Smith, editor of the Independent, said afterwards that the judgment vindicated his newspaper's decision to publish Mr Wright's allegations of Secret Service misconduct.

"The Attorney General's attempt to construct a generalised system of censorship, based on an injunction against two newspapers, has been stopped. This judgment makes it plain that the cover cannot be kept on these allegations for a moment longer."

Mr Whittam Smith said that the Independent would not publish any more extracts from Mr Wright's book.

The Guardian and Observer will renew, as soon as possible, their application to have the injunctions against them lifted. The application had been deferred while the judge dealt with the preliminary legal issue of contempt.

In his judgment, Sir Nicolas said that the case arose out of facts affecting national security and state secrets that had attracted massive attention from the media.

The strength of the Attorney General's case lay primarily in those facts. Publication of Mr Wright's memoirs had been held by the High Court and Court of Appeal to be contrary to national security and the injunctions had been made against the Guardian and Observer last year to protect the public interest by preserving national security.

Yet three newspapers had, knowing that decision, chosen to do what the court had held to be contrary to the public interest and published what was secret.

"How is the public interest to be protected if that is not a contempt of court?

"Even if, as is apparently the case, some people do not accept the decision of the court that the publication of the Wright memoirs would jeopardiese national security, it is easy to postulate facts where the risks would be unarguable: for example, if newspapers were publishing highly secret information as to the disposition of the Polaris submarines.

BT sells videodisc mapping system

By Terry Dodsworth

BRITISH TELECOM, the UK telecommunications group, is launching a new interactive videodisc system which will display maps on a screen and allow them to be overlaid by additional computer-generated information.

The new device, claimed to be much cheaper than existing digital mapping techniques, is being aimed initially at the local authority and public utility markets in the UK.

But BT believes that other users will also be interested in the technology, and the company is already examining the prospects of overseas sales.

The system works by storing images as still pictures on videodiscs. These are then cross-linked to graphics and data held in a database on a minicomputer.

In the devices that are being marketed to the local authorities, the users will be able to access images drawn from Ordnance Survey maps, enlarge the picture and superimpose additional information such as the track followed by a sewage piper or a water main.

Training scheme 'not meeting industry's needs,' says report

BY JOHN GAPPER, LABOUR STAFF

THE GOVERNMENT'S Youth Training Scheme may be releasing partly trained people on to "a labour market too fragmented to provide the further training they need," according to an unpublished draft report of the House of Commons employment select committee.

The draft, written by Mr Ron Leighton, chairman of the committee and a Labour parliamentary candidate, identifies two main skills shortages in Britain: traditional craftsmen and highly skilled workers in new technology industries.

It recommends that the next Government should consider legislation to make industry put more money into training, possibly by offering tax incentives or allocating each individual a grant which would be given to the company training him, provided it matched the amount.

The draft was drawn up after the announcement of the general election and was intended by Mr Leighton as an interim report of the committee's investigation into skills shortages, which started last August.

But the six Conservative committee members are believed to have outvoted their five Labour counterparts at a meeting last month and adopted a resolution that the committee was not yet in a position to make a report, rather than agreeing to the publication of the draft.

Mr John Prescott, Labour's employment spokesman, intends to use the draft report as ammunition against the Government on the election trail today.

Mr Prescott said yesterday: "It is a measure of the seriousness of this report that the Tories on the committee felt in necessary to suppress it before the election. It is a damning indictment of Tory inaction on training."

The draft, drawn up after the committee took evidence from the Engineering Industry Training Board, the Construction Industry Training Board and the Confederation of British Industry, concludes that the problem of skills shortages needs to be tackled urgently.

Of YTS, the Youth Training Scheme, the draft says: "Some of our witnesses expressed a concern, which we share, that it may not be able to do more than provide one module towards a full training and may merely release partly trained people on to a labour market too fragmented to provide the further training they need."

Insurer's security bonus

BY ERIC SHORT

THE SUN Alliance Group, Britain's largest householder insurer, is offering a 10 per cent discount on its house insurance premiums to householders who take adequate security measures.

However, Sun Alliance's definition of security is not related solely to taking adequate precautions against burglaries. It also includes taking precautions against burst pipes by having them suitably lagged.

Mr John Westlake, Sun Alliance's personal insurances manager, pointed out that thefts were the largest single source of claims on house contents, accounting for half the claims cost.

But damage from burst water pipes, usually following a severe frost, are the second-largest reason for claims, one in five on average. The recent wi·ter cost Sun Alliance £74m in weatner claims.

The concern of insurance companies, stated Mr Westlake, was not only the rise in the number of claims, but in the average size of individual claims.

Householders now have many more high-valued possessions that attract thieves

Report attacks control of £10bn charity sector

BY ALAN PIKE, SOCIAL SERVICES CORRESPONDENT

THERE ARE grounds for serious concern over the way in which Britain's £10bn a year charity sector is monitored and controlled, a National Audit Office report concluded yesterday.

Sir Gordon Downey, Comptroller and Auditor-General, said that the present arrangements for registering charities fall well short of public assumptions about the assurances provided by registration. The Charity Commission's register was "unreliable and out of date," many charities failed to file annual accounts and there were signs that charity-related fraud was growing.

The National Audit Office reports to Parliament on the efficiency with which Government departments and other public bodies use their resources. It is likely that the Commons Public Accounts Committee will take evidence on Sir Gordon's report after the General Election.

Many of Britain's largest charities have worked hard to streamline their organisations in recent years, and they will be anxious to demonstrate that some of the evidence in the report does not apply to them.

Sir Gordon's investigation examined the Charity Commission – the body responsible for maintaining the register of charities and receiving their accounts – and approaches were also made to the Home Office, Inland Revenue, local authorities and police.

The report concludes that the commission's register provides no assurance – and is not intended to provide any assurance – that charities are functioning properly and using their income efficiently for appropriate charitable purposes.

Being on the register, says the report, does not mean that those running a charity have been vetted or approved, that regular accounts are submitted for approval or that a reasonable proportion of donations will be used for charitable objectives.

"The statutory and non-statutory requirements for the submission of annual charity accounts are being widely ignored by large numbers of charities, and are not effectively enforced by the commission." Even when charities did submit accounts more than two-thirds were not professionally audited, and only 4 per cent were examined by the commission.

Sir Gordon acknowledges in his report that the Charity Commission has suffered from "significant staff constraints" for many years.

Japan to speed review of exchange membership

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE JAPANESE have agreed to accelerate their review of Tokyo Stock Exchange membership to enable British applicants to join next year, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said yesterday.

Commenting on the talks held last weekend between UK and Japanese financial officials, he said this was the outcome the UK had been looking for. The question of access for UK firms to Japan's protected financial maarkets has become a heated issue in recent months and has provoked threats of retaliation against Japanese firms operating in the City of London.

Mr Lawson said the review would lead to three UK merchant banks obtaining stock exchange membership next year. They would be notified that they had been accepted by the end of this year. The three are Barings, Schroders and Kleinwort Benson. Although the Japanese had previously said that new memberships would be considered next year, this is a much firmer commitment by the Tokyo stock exchange than before.

The announcement marks further progress in Britain's advance into Tokyo. Last week, the Japanese Government granted permission for 10 UK firms to conduct investment management business in Japan. However, a number of banks are still waiting for licences to open branches to deal in securities.

Decision over airline smoke hoods delayed for more tests

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BEFORE THE Civil Aviation Authority can decide whether or not to enforce the provision of smoke hoods as a safety device for passengers on UK airlines it will need to conduct further research.

This is the main conclusion emerging from an interim report by the authority following trials over recent months.

The studies were begun following public disquiet about deaths from smoke inhalation in the Manchester disaster to a British Airways Boeing 737 in 1985, when an engine combustion can failure sprayed large amounts of burning fuel into the passenger cabin, causing severe fire, and lethal smoke from burning cabin furnishings.

Mr Christopher Tugendhat, chairman of the authority, said: "The principal question which needs to be settled is whether smoke hoods provide a net safety benefit, bearing in mind that donning unfamiliar hoods in certain circumstances might delay aircraft evacuation and lead to loss of life."

"In reaching a final decision, the authority (like aviation authorities in the US, France and Canada) will need to be satisfied on this points."

The authority hopes, in the light of continuing research, to reach such a decision by the end of this year. The aviation authorities of the US, France and Canada are co-operating in the studies.

The work still to be done includes establishing how long a smoke hood can be worn before the user suffocates anyway; determining the limits of toxic gas inhalation by filters in the smoke hoods; and ensuring that the quality of the hoods is sufficiently high to cover all levels of fire and smoke intensity.

Further work in these fields will help the authority prepare draft specifications of such hoods for manufacturers.

In the meantime, in conjunction with the other countries involved, the authority continues to study evacuation procedures, test procedures for smoke hoods, methods of stowing them aboard airliners, and their presentation to passengers. A review of these latter studies will be held next month.

Mr Tugendhat said: "A great deal of very valuable research has already been done. This is important in view of the implications of this work for foreign airlines".

Assurance 'less vulnerable to AIDS impact'

By Eric Short

THE LIFE assurance industry is less vulnerable to the financial impact of AIDS (Acquired Immunity Deficiency Syndrome) than virtually any other insurance market, claims Mr Roger Harvey, chief insurance analyst with Greenwell Montagu Research.

In the latest Insurance Commentary, Mr Harvey cites several reasons why the modest, but growing, number of AID-related claims made against life companies will have only a small impact on their financial strength.

These reasons include the high proportion of savings contracts in life company portfolios, the investment reserves built up during the prolonged bull market and greater freedom to underwrite effectively.

The main line of defence of life companies against claims on future business lies in their ability to impose more stringent underwriting procedures.

Mr Harvey feels that life companies could impose compulsory screening if deemed necessary for death cover above a certain level without running into problems with civil rights groups and regulatory bodies – problems facing US life companies trying to tighten up their underwriting on AIDS.

Opren victims fight legal costs ruling

BY FINANCIAL TIMES REPORTER

A THIRD of the 1,500 alleged victims of Opren, arthritis drug now banned, will be forced to drop their compensation claims against the manufacturers unless a court ruling on the costs of the pending legal battle is overturned, the Court of Appeal in London was told yesterday.

Last month, a High Court judge ruled that, if the case against Eli Lilly, the US manufacturer, failed, the estimated £6m costs of the litigation must be borne equally between the claimants.

Mr Louis Blom-Cooper, QC, for the claimants, about 1,000 of whom are legally aided, said yesterday that over 400 of the non-assisted plaintiffs had already said they would pull out if the ruling on costs was upheld because they could not afford bills running into thousands of pounds.

It was expected that the remaining non legally aided claimants would also withdraw.

"The effect of the order is to drive any unassisted plaintiffs from seeking remedy in the courts," he said.

He said that, before then, the unassisted plaintiffs had proccceded on the assumption that they "would be able to ride on the back of the legally aided plaintiffs" and would not be liable for costs should the case fail.

It was planned that legally aided claimants should be used as test cases which, if successful, would prompt out of court settlement for privately funded clients.

While it was impossible to assess the total costs bill the £3m figure mentioned in the High Court was a "gross underestimate."

Mr Blom-Cooper claimed that the High Court had no power to make the ruling on cost on May 8.

Mr Blom-Cooper argued that the High Court had no power to intervene at such an early stage in the proceedings and make the costs order.

The plaintiffs are claiming damages for personal injuries allegedly caused by side-effects from taking Opren, which was withdrawn in 1982.

A number of associated defendants in the Eli Lilly group are alleged to have been negligent in the testing and marketing of the drug, and the Government in licensing it.

The High Court was told last month that very few plaintiffs were likely to recover more than £5,000, and all but 100 were within the range of £200 to £1,000.

Judgment is expected today.

Unions urged to face future

By Philip Bassett, Labour Editor

THE TUC is to be urged by the electricians' union EETPU to examine and revalue trade union structures and prepare a new form of trade unionism for the next century.

EETPU'S move, approved yesterday by its biennial conference, may bring to the surface consideration now being given by TUC leaders to its own and its affiliated unions' roles in the future.

Labour's defeat in the 1983 general election prompted the TUC's last major examination of itself – the so-called "new realism." EETPU became the most public and practical exponent, with its single-union strike-free agreements.

But that approach has led the union into considerable opposition, and Mr Eric Hammond, general secretary, struck a more conciliatory note yesterday in advocating for unions a West German-style industrial unionism approach as an ultimate goal.

After winning support of the conference for current policies, he said: "I can continue in the combative way I have in the last few years and see out my time with a sword in my hand. But I don't want it to be that way."

Other unions believe the electricians have led the way towards greater inter-union competition.

" Cannot we devise from our experience something better?", he said. "Let us make a start on a policy of convergance, so that we can look to the day when all trade unionists will rejoice in any advance of any group."

He rejected as "partial" the move led by the General Workers' union to set minimum standards for union recognition deals, and instead suggested the TUC should set an overall objective of co-operation, of industrial trade unionism, to which all unions would work.

In sharp contrast to previous thoughts on a free-for-all among union members, Mr Hammond said, in what he acknowledged were still mostly unformed ideas, that he would like to see employees as TUC members, connected to a union of unions appropriate to their industrial sector.

Seat's import chief resigns as sales fail to meet target

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR DOUG CLARE, managing director of the Lonrho subsidiary set up two years ago to import Seat cars to the UK from Spain, has resigned suddenly.

Lonrho said yesterday that Mr Clare had left for personal reasons. But the indications are that Seat Concessionaires (UK), although making good headway with car sales, had not made fast enough financial progress to please Mr "Tiny" Rowland, Lonrho's founder and chairman.

While the search for Mr Clare's successor goes on, Mr Guy Sinden, a director of VAG (United Kingdom), the Lonrho offshoot which imports Volkswagen and Audi vehicles to Britain, has taken over as acting chief executive.

Mr Sinden stressed that this did not mean any change in Lonrho's policy for the two import companies. They would continue to be kept separate with their own distinctive dealer networks.

"Lonrho will continue to develop the Seat brand and expand UK sales," he added.

Mr Clare's successor would not necessarily be recruited from VAG (UK) and Lonrho would also look outside, said Mr Sinden.

Lonrho won the contract to import cars from Seat, the last major European car producer not represented in Britain, in the summer of 1984, but the first vehicles did not go on sale until November the following year.

Seat UK had a start-up capital of £500,000 and a £4m overdraft facility. It spent £2m to promote the new brand in the first year of operations, £1.4m of it on television advertising.

Mr Clare, 49, spent 13 years with VAG (UK), latterly as marketing manager, before winning the Seat job. He said recently that Seat UK's turnover in the financial year to October 1987 would be about £38m and the company should be close to financial break-even.

Last year 5,900 Seat cars were registered in the UK. Mr Clare predicted that the 1987 total would reach 10,000 with the company taking 1 per cent of the UK new-car market within three years, which suggests annual sales of 18,000.

The Spanish Seat company, formerly state-owned, was recently taken over by the West German Volkswagen group. VW also intends to keep Seat as a separate organisation with its own distribution networks.

● Hyundai cars from South Korea are to be offered for sale with the option of a full refund as part of a summer promotion by the importer, the privately-owned, west Midlands-based International Motors. This is probably the first time such an offer has been made in the UK and International said the scheme should "attract the hesitant potential customer". About 8,300 Hyundai vehicles were registered in the UK last year and International aims to lift the total to more than 12,000 this year.

Shops will lease cars to private motorists

BY JOHN GRIFFITHS

THE FIRST of a possible chain of retail "shops" leasing cars to private motorists, as well as business users, has been opened by a subsidiary of Caffyns, the vehicle distributor.

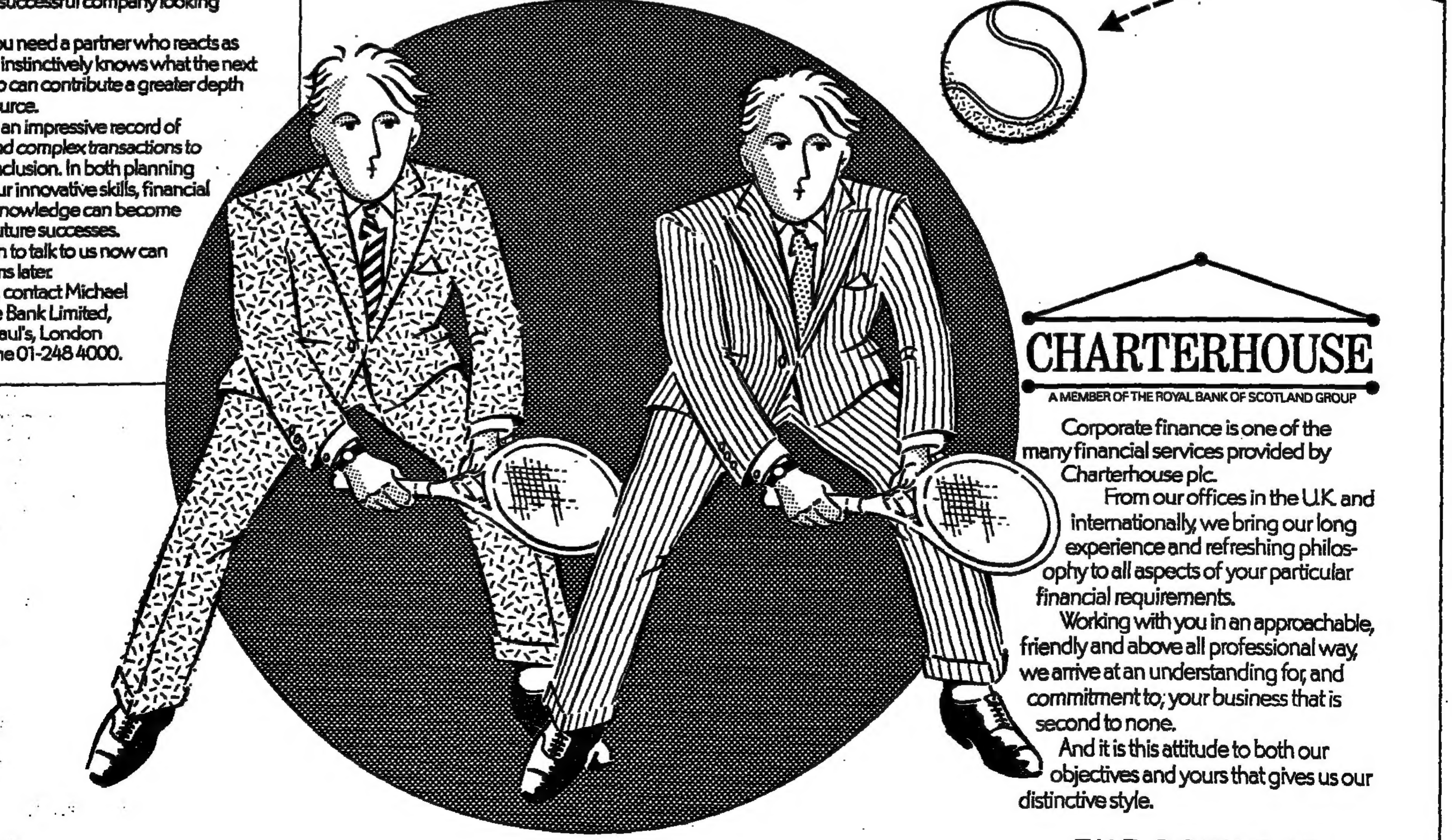
About 250 cars have already been supplied under a pilot scheme to assess the feasibility of leasing to non-business users, according to Mr Steve Hoy, regional director of Caffyns Motor Contracts.

As a result, the first shop opened this week in southern England, and 'many' more could follow, said Mr Hoy.

He said the scheme was being operated separately from Caffyns' conventional vehicle distribution and retail sales activities.

The parent group, a public company, has about 50 outlets in southern England. Its annual turnover is nearly £190m.

Mr Hoy said the inspiration for the scheme, operated as Driveplan, stemmed from the belief that many motorists no longer wanted to tie up capital in the ownership of a rapidly depreciating asset.



UK NEWS

Warning light failure delays 'superferry'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE MAIDEN voyage of the Townsend Thoresen "superferry," Pride of Dover, was delayed by 25 minutes yesterday after a warning light indicated that the ship's stern doors were not closed.

Capt John Martin, the senior master, kept the ship at its berth in Dover until checks by crewmen had established that there was an electrical fault on the bridge warning light system.

The fault reoccurred as the ferry left Calais on its return journey, bearing out fears expressed by some ferry operators, that warning lights would prove unreliable.

Warning lights were installed on the Pride of Dover after the Townsend ferry, Herald of Free Enterprise, capsized outside Zeebrugge harbour on March 6 with the loss of 188 lives. A public inquiry into the disaster has been told that the Herald sailed with its bow doors open.

Townsend has introduced a number of other safety measures since the disaster, including an airline-style checklist which runs to 30 items on the Pride of Dover, all of which have to be completed before the ship leaves harbour.

In addition, closed circuit television cameras monitor both sea doors, and a personal inspection is carried out by the ship's chief officer.

The Pride of Dover is the first of two ships built in West Germany being introduced by Townsend Thoresen on the 75 minute Dover–Clais route to compete with the proposed Channel Tunnel.

The second ship, Pride of Calais, is expected to come into service later this year.

Townsend, acquired by Peninsula and Oriental Steam Navigation earlier this year, has invested £85m in the two ships, described as "a broadside" at the Tunnel consortium.

The ships provide deluxe passenger facilities, including a shopping complex, conference facilities and a variety of self-service and waiter-service restaurants.

At 26,000 gross tonnes they are twice the size of most other ferries operating on the Channel.

Townsend says it expects to cut operational costs on the Dover-Calais route by up to 40 per cent, though this would require the two ships to operate close to their capacity of 2,300 passengers and 650 cars for much of the year.

The Pride of Dover sailed yesterday with only 1,119 passengers and 80 cars, but the company says this is expected to improve once the ship is established on the route.

Townsend says bookings are up by around 10 per cent across the board on last summer, despite the unfavourable publicity caused by the Herald disaster.

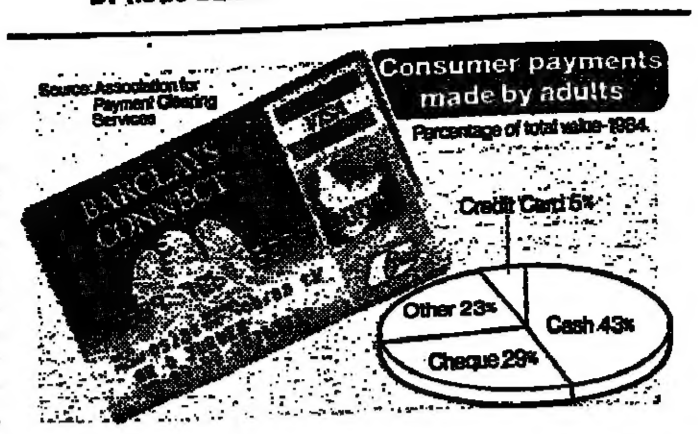
The cross-channel market has been unexpectedly buoyant throughout the spring and early summer.

● At the start of the second phase of the inquiry into the loss of the Herald of Free Enterprise which resumed yesterday, Mr Robert Alexander, for Townsend Thoresen, said that a loudspeaker message would in future welcome passengers aboard.

The message would say: "We have just received a report that the bow and stern doors have been shut and we are about to leave the berth."

Debit card row poses questions on future of cashless shopping

BY HUGO DIXON



BARCLAYS BANK will later today launch Connect, the first of a generation of plastic cards designed to pave the way for electronic cashless shopping.

An acrimonious row with the retailers over the charging structure for the card has ensured that the launch will take few in the financial community by surprise.

However, as with the launch of Britain's first credit card, Barclaycard, 21 years ago, there is likely to be disagreement within the industry for some time over how smart a move it is.

Do customers and retailers really want the card? Will Barclays be able to make profits now that it has been forced to give in to most of the retailers' demands? And, what does the whole saga mean for the future of cashless shopping?

There is some scepticism about how popular the card will be with people because of the way it operates. Although it looks very much like a credit card and, initially, will be used with the same paper vouchers, customers will be financially worse off paying by debit card.

Payment by Connect will be debited to the cardholder's bank account within a couple of days, like a cheque. When the system goes electronic, later in the decade, payments could be debited instantaneously.

By contrasts, payments by credit card are stored up until the end of the month and, after that, cardholders have up to 25 days to pay their bill. This means, on average, they can get interest-free credit of about 40 days, though any further delay results in hefty interest charges.

Barclays' counter argument is that debit cards are designed to replace cheques not credit cards, so somebody using a debit card will not be worse off. Its advantage over a cheque is that it is easier to carry around and is not limited by the £50 cheque guarantee limit.

However, all methods of payment are, to some extent, substitutes for one another and, although Connect may be designed to replace the cheque, people thinking of shifting to plastic may well ask why they should not use a credit card which has interest-free credit, in addition to being more convenient.

The answer is that, although the delay of 40 days on credit card payments is a marginal financial advantage, it can also be an administrative hassle. When cardholders try to work out how much they spent in any particular month, they cannot simply look at the month's bank statement, because that includes a credit card bill relating to the previous month.

The best they can do is wait for the next credit card bill, subtract it from this month's statement and add back the amount spent on credit cards the month before. Even this is not entirely satisfactory, as the dates of the bank and credit card statements are unlikely to be a perfect match.

By contrast, payments by debit card will be deducted from cardholders' bank accounts. There will not be two separate statements covering different periods, so people will find it easier to monitor their personal expenditure.

Whether the cash-management advantage of Connect outweighs the cash-flow advantage of a credit card will depend on the individual customer.

For retailers, the advantages are clearer, though their full effect will not be felt until the system goes electronic. In the short run, the main advantage is they will be able to accept payments of over £50 without the fear of bounced cheques.

In the long run, they will be able to use Connect in terminals linked to electronic cash machines and so eliminate most of their paperwork at a stroke. This will cut costs and allow them to give their customers a speedier and better service.

Most important, though, they have won a major victory over Barclays on Connect's charges. The bank started off by saying it was going to impose on retailers the same percentage charge of about 2 per cent they pay for credit cards transactions, which would have worked out at 50p for a cheque of £25.

A vigorous campaign by retailers, which threatened not to accept the card, forced Barclays to cut its rates sharply last week.

The bank had spent £10m on launching the card and could not, it seems, afford either to delay the project or risk a complete flop, which would have followed without retailers' support.

As a result, retailers are now being asked to pay either a flat fee, thought to be about 15p, or a percentage fee which in some cases is believed to be well below ½ per cent.

They have also set a precedent, which they hope will be followed by other banks which introduce debit cards in future.

The compromise has certainly hurt Barclays in terms of lost future profits and dented pride, but it has not completely destroyed the logic of what it is trying to do.

If it is successful in persuading a large number of its customers to use Connect, it will have established a lead in debit cards, which other banks may find difficult to challenge.

THE RETAIL Consortium, the shopkeepers' trade body, was due to press for a monopoly investigation into the Connect card at a meeting with the Office of Fair Trading yesterday afternoon.

This was despite the fact that many large retailers have decided to accept Connect after Barclays made substantial concessions on the card's charging structure last week.

The consortium is still keen on a monopoly investigation because the bank has refused to surrender a key point of principle. It says that because Connect is being launched under the Visa brand name, all retailers accepting Visa cards will have to accept the new card.

Barclays has promised the consortium that it will not use the threat of expulsion from Visa as a negotiating tactic with individual retailers. The consortium, therefore, is reasonably happy about the short-term prospects.

However, it believes retailers' long-term interests would best be protected if Barclays' practice of tying acceptance of the two cards was outlawed.

Last week, the Office of Fair Trading wrote to Barclays threatening it with an investigation under the Competition Act, in addition to the investigation it has launched into the credit card industry.

Retailers to defend credit

BY DAVID CHURCHILL

LEADING UK retailers are joining together to form a new lobbying group to counter criticism of the easy availability of credit facilities to customers.

The group, to be called the Retail Credit Group, will be formally established later this month and will include retailers such as Woolworths, Storehouse Dixons, and the Burton Group.

It is expected that a senior retailer will be named as chairman of the new group once it is launched. The group will operate within the auspicies of the Retail Consortium, the umbrella body for the retail trades.

Retailers have been growing increasingly worried for several months about the build-up of criticism that they make credit facilities too freely available for customers.

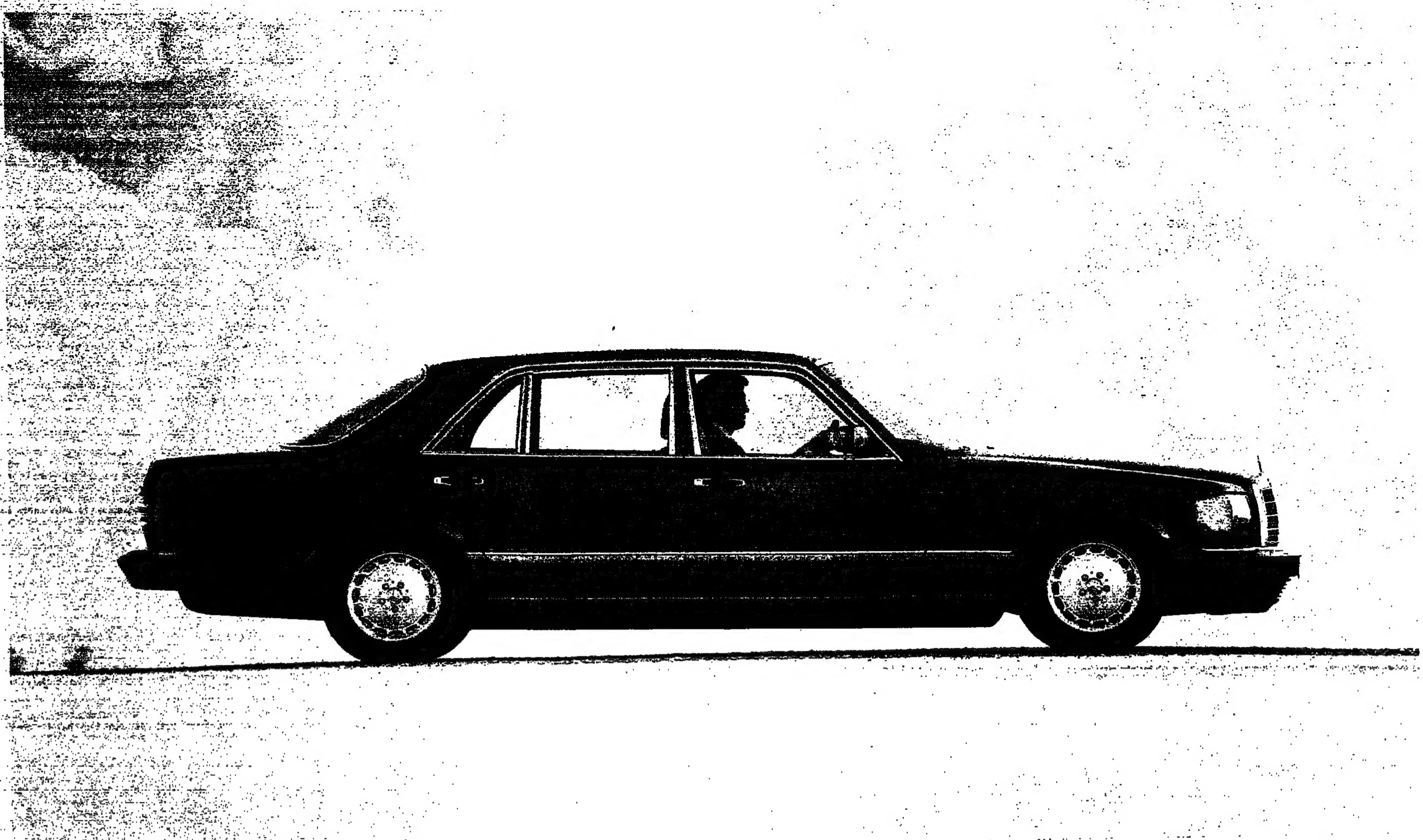
About a third of all clothes, shoes, furniture, and cars are now bought on credit – compared with only a quarter in the mid 1970s.

Sir Gordon Borrie, director-general of fair trading, [illegible] commented that "there are too many examples where credit is being over-marketed without proper checks being made on the likely ability of the borrower to repay."

He added that "as someone said to me recently of a certain department store – they are giving away credit cards like sweeties."

Sir Gordon subsequently decided to launch an OFT review of consumers' experiences of using credit as well as asking the Monopolies and Mergers Commission to investigate the whole credit card industry, with the exception of charge cards and retailers' own-cards.

The new retail group, whose membership will be open to all retailers, wants to make the public more aware of the merits of retail credit and to eliminate misunderstandings such as over interest rates changed.



560SEL: 0-62 MPH IN 6.8 SECS. TOP SPEED 156 MPH (MANUFACTURER'S FIGURES, AUTOMATIC). THE S-CLASS RANGE ALSO INCLUDES THE 300SE, 420SE, 420SEL, 500SE AND 500SEL.

Nothing can surpass taking the back seat in a Mercedes-Benz S-class except, of course, taking the wheel.

In the back of an S-class you can work or relax in a secure cocoon of high technology materials – isolated from distracting noise and vibration. The longest version of the S-class reposes on a wheelbase of more than ten feet and offers combined leg room of over six feet. The options for rear seat passengers include individual reading lights, cigar lighters, foot rests and electrically-operated seats. From the rear seat the car is nothing less than a spacious, comfortable limousine. From the driver's seat things take on a rather different complexion.

The driver is surrounded by more than twenty controls and information sources but their ergonomic refinement is so complete that each falls to hand or eye with almost uncanny familiarity.

An S-class consumes motorway miles with few demands on itself or its occupants, yet it seems to "shrink" in traffic or when the driver chooses to exercise the car's remarkable handling characteristics. The suspension, with coil springs and gas-filled shock absorbers all round, is supplemented with twin control arms at the front to induce anti-dive characteristics. The four-wheel, 11.8 inch disc brakes are supervised through the trickiest situations by the computer in the Mercedes-Benz anti-lock braking system. Take to the hills and lanes and an S-class demonstrates a sure-footedness that belies the size of its interior and the suppleness of its ride.

Flagship of the entire Mercedes-Benz range is the 560SEL. Not since the legendary "6.9" has there been a car with performance like it. The 5.6 litre, light alloy V-8 engine produces a phenomenal 300 bhp. Just how efficiently all this power finds its way to the road is a lesson in Mercedes-Benz engineering.

It starts with a four-speed, dual programme automatic transmission that is the best in the business. From there the power is guided to the wheels via a limited-slip differential. The self-levelling rear suspension and torque-compensating rear axle ensure that everything remains tidy when the wick is turned up.

Many S-class drivers choose the slightly smaller 300SE. Its 3 litre, ohc, fuel-injected six propels the car to 62mph in only 9.1 seconds and to a top speed of 128mph. (Manufacturer's figures, automatic.) Completing the range are the 4.2 litre and 5 litre V-8's available in SE (short) or SEL (long) wheelbase versions.

Other cars might match the S-class on a handful of attributes but no other car offers the same combination of elegance, comfort, performance and versatility.

An S-class is the most complete car in the world.

Engineered like no other car in the world.

RJA/163/FTDT

PM warns of prosperity 'vanishing like a dream'

BY JOHN HUNT,

IN A SAVAGE attack on Labour policies Mrs Thatcher warned last night that Britain's prosperity would "vanish like a dream" if a Labour government was returned to power and implemented its economic plans and repealed some of the Government's trade union legislation.

"The nightmare would have returned," she told a large rally in Edinburgh. "Don't let Labour ruin our new-found prosperity."

She also renewed her warnings about what she calls Labour's "iceberg manifesto" and said the party was trying to repackage its policies like cellophane wrapped round roses —"sweet smelling for a day but oh so transparent."

She coupled this with a prediction that within days of the return of a Labour government, the unions would be put back in a dominant position, and the the country would once again see scenes similar to the "w inter of discontent."

"The unions would be back in the driver's seat and their leaders would once again be the nation's masters," she said.

The Prime Minister criticised the Labour Party for resorting to personal abuse against her style of leadership. She said it signalled panic on the part of her opponents and she promised: "It will not affect me in the slightest."

She dwelt on her Government's economic record and emphasied faster growth in national output

She also emphasised the spread of private share ownership and claimed that Britain was more profitable than at any time in the past 20 years. "Britain is on the move," she declared.

"But be warned. Another government could reverse success and turn into economic disaster."

She maintained that in the past Labour had thrown away everything Conservative governments had gained. Financial prudence went out of the window, the pound went through the floor, prices went through the roof.

Today, under the mask of moderation, the Labour Party was under the grip of the hard left.

She said that Labour would repeal trade union laws and this would mean a return to mass picketing. It would be lawful again for pickets to travel from town to town to blockade and shut down companies with which they had no direct quarrel.

It would mean a return to the enforced closed shop and secondary picketing.

"Back would come the violence,". she went on. "Think of the damage that Labour's policy would do," she told her audience. "Think of the damage to our industry."

Under Labour, she argued, production lines would grind to a halt, orders would be lost and investment plans cancelled. Foreigners would no longer be able to rely on prompt delivery of British goods and the country would cease to pay its way in the world.

Mrs Thatcher tailored a section of her speech to Scotland and said that Labour's hostility to overseas investment would "clobber" the growing financial services industry north of the border. It would also stop the pension funds earning the best return for pensioners.

The Prime Minister defended her proposal to replace the rating system by a community charge, the so-called "poll tax." Legislation on this has already been enacted for Scotland and has come in for heavy criticism. But Mrs Thatcher maintained that it would be a "blessed relief" for the many who had suffered a heavy rates burden.

In fact she went on, Labour's policies for reducing unemployment would increase the number of jobless "as night follows day."

She concluded by saying that governments which tried to spend their way into prosperity found out that they were spending their way into a depression.

Roger Taylor

Sinn Fein candidate Gerry Adams encounters one of the lesser hazards for parliamentary hopefuls in Belfast—the children who seem to attach themselves to campaigners.

Hugh Carnegy on the contest in West Belfast

Battle for Gerry Adams' patch

AN EVENING'S canvassing with Dr Joe Hendron of the Social Democratic and Labour Party, seeking to oust Mr Gerry Adams of Sinn Fein as West Belfast's MP, leaves one distinct impression: if the under-14s could vote, he would have no chance.

For most of two hours spent plying the doorsteps of the New Barnsley district, on the slopes of Divis Mountain on the city's western fringe, Dr Hendron, a genial local GP, and his band of supporters are tracked by a gaggle of youngsters circling, whooping and skidding on their BMX bikes.

To a cacophonous response from the dozens of scraggy dogs that inhabit the estate, they squawk: "Vote Sinn Fein," "Up the Provies" and unprintable taunts.

It is all more or less good humoured and the SDLP workers get a laugh when the boys are temporarily silenced by the appearance of the mother of one yelling: "You shut your mouth or I'll bust ye open."

Canvassing an area like New Barnsley, where most houses seem to sport a poster of Mr Adams, may not be much fun but it is vital to the SDLP if it is to fulfil its hope of overturning Sinn Fein's 5,445 majority.

To do so would mark a significant shift in Northern Ireland politics. The SDLP and the British and Irish Governments would claim it as the most decisive proof yet that the 1985 Anglo-Irish agreement had won approval among nationalists at the expense of Sinn Fein and the IRA.

As importantly, the policy pursued for the last six years by Sinn Fein and the IRA of marrying the violent campaign against British rule to a more developed conventional political campaign would be severely shaken.

New Barnsley appears at first sight to be solid territory for the hardline, anti-British, left-wing and violent campaign of the IRA and its political face, Sinn Fein. Sandwiched between two sullen steel-grey army fortresses from which regular patrols issue to stalk the streets, it also lies hard by the "peace line." This snaking steel fence separates the Roman Catholic, nationalist districts from hostile Protestant housing estates where loyalist flags can be seen fluttering from chimney stacks.

Unemployment in New Barnsley is reckoned by Mr Alex Atwood, Dr Hendron's agent, to be well over 50 per cent. It is 12,000 in the constituency, which has an electorate of about 60,000.

Yet things aren't that simple. Conditions around the mostly 1960-style council houses are not uniformly awful. Most have smart new PVC windows and bear evidence of other improvements. There are some abysmal blocks of flats reeking of decay and pockmarked with bricked-up windows, but others have been knocked down to make way for attractive terraces of public housing.

Even one of the army fortresses is barely used any more. The SDLP says that only IRA death threats against contractors who work for the security forces are holding up its demolition and its replacement, perhaps with more housing.

Dr Hendron's campaign thus works on the theme that IRA violence and Mr Adams's refusal to take up his seat in Westminster prevents more progress. "Jobs, housing and benefits" is a recurring message on the doorstep. There is also the Anglo-Irish agreement which is held up as giving nationalists their long-denied say in government.

The SDLP canvassers return to base knowing New Barnsley remains firmly in Sinn Fein hands, but expressing surprise at the number of votes they seem to have in the area.

Not that Mr Adams, whose election agent was wounded by a shotgun blast from would-be loyalist assassins recently, is much impressed by this.

At a press conference earlier in the day in the remarkably plush Felons nightclub in Andersonstown, he outlines Sinn Fein's view that the only thing that wins concessions for nationalists is the pressure put on Britain by the "armed struggle" of the IRA. The British are more scared of one Sinn Fein MP than 1,000 Ian Paisley's he says.

Mr Adams denies any contradiction in the double strategy of fighting the Government with one hand while seeking benefits from it for his community with the other. Or in his condemning unemployment while the IRA puts out of work—or sometimes kills—people employed by the security forces.

He professes confidence that he will retain his seat. Most locally-based reporters seem to share this view, although their suspicions about how well his campaign is running are aroused by a strange reluctane among the normally publicity-courting Sinn Fein to allow journalists to accompany Mr Adams on canvassing sorties.

Mr Atwood, while careful not to over estimate Dr Hendron's chances, sense some changes of attitude among West Belfast nationalists may possibly undermine Sinn Fein. He points to recent hostile local reaction to street rioting and vehicle hijacking. Nor, he says, was there the outraged response to the killing of eight IRA men as they attacked Loughall police station in County Armakh last month that might have been expected in the past.

To win, Dr Hendron needs to atract most of the 10,300 votes that went last time to Mr Gerry Fitt—now retired to the House of Lords—and/or steal some of Mr Adams's support. Lord Fitt has recommended that his former supporters vote for the marginal Workers' Party.

There is also much speculation about the minority Protestant vote in the constituency.

1983 result, West Belfast: G. Adams (Sinn Fein) 16,379; J. Henderson (SDLP) 10,934; G. Fitt (Ind) 10,326; T. Passmore (OUP) 2,435; G. Haffey (DUP) 2,399; M. McMahon (Workers Party) 1,893. Sinn Fein majority 5,445: Turnout 74.3 per cent.

Candidates: G. Adams (Sinn Fein) Dr J G Hendron (SDLP); M. McMahon (WP); F. Millier (OUP).

In 1983, Unionist candidates took nearly 6,000 votes and Lord Fitt claimed significant numbers also voted for him. This time the sole Unionist candidate, Mr Frank Millar of the Official Unionist Party, does not anticipate much tactical voting by Protestants plumping for Dr Hendron to defeat Mr Adams because of Unionist hostility to the Anglo-Irish agreement to which the SDLP is so closely linked.

Loyalists loth Mr Adams, but voting for the Anglo-Irish agreement to get rid of him is not a pill they seem prepared to swallow, Mr Millar says.

Owen sees unique chance for Alliance

THE TIME for the Alliance to hold the balance of power may never come again, Dr David Owen, the SDP leader, warned yesterday.

The election may present a "unique combination" of a strong third force and voters disillusioned with the existing extremes of Labour and the CSonservatives, he told an impromptu press conference on his battle bus.

He was speaking after telling people in King's Lynn, Norfolk: "Voters, in voting for us, have a unique, perhaps never-to-occur again opportunity."

Pressed later, he said: "I don't say it will never exist again, but it perhaps could be unique where you have this combination of a strong third force and unpopular Conservative and unpopular Labour parties."

Dr Owen said that if the Alliance failed to achieve the balance of power this time, it might have to drop its mould-breaking stance and settle for being in second place behind the Tories in a two-party system.

It could take the place of a framented Labour Party, he said. There was a general feeling that neither Labour nor the Conservatives, Mr Ninnock nor Mrs Thatcher ould unite the country.

"I think that is the unique juxtapositioning in British politics at the moment which could make a balanced parliament by the will of the voters," Dr Owen said.

He said that, apart from a strong third force, achieving this balance also needed "considerable disillusionment from a sizeable section of the population for both Labour and Conservative."

The Alliance was a sizeable third force in 1983, but a little unproven. Dr Owen denied the Alliance 'had had it'5' if it failed to achieve a balance of power this time.

"I am always slightly reticent about saying this is the only opportunity you will ever have or that this is the most important election." He also denied that the Alliance would have no future if it failed to make an impact this time.

Merging the Liberal and Social Democratic parties would be something to be looked at after the next election.

But the chance of getting a balanced parliament was the "unique opportunity" this time. If the Alliance failed to win the balance of power this time, there would be an "open house," he said.

"Then you might move into a situation where Labour framgments and the Alliance comes up to become the second party in the country."

Kinnock attacks the widening wealth gap

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, last night attacked the Government for creating a divided nation in which a rich and poor Britain were "travelling in opposite directions."

Speaking at a rally in Darlington, Mr Kinnock said that Britain could work properly, efficiently and fairly only when it worked together. But he claimed that the Thatcher Government "now regards whole regions of our country as redundant, whole sections of our population as surplus to requirements and now treats whole towns and villages as chuck-away communities with disposable people."

He said the Government's attitude offended common decency and betrayed the common interest of the nation.

Mr Kinnock, who had spent a day campaigning on Teesside, said the Government was stepping aside from the issue of social divsion, cutting regional development aid, reducing rate support grant and slashing education and health spending.

He claimed that people who lived in the north were twice as likely to be unemployed, twice as likelyt o die before reaching retirement age, twice as likely to be on supplementary benefit and nine times as likely to have lost their job.

He continued: "The result of the withdrawal of the Government, the state, the community from responsibility for the standards, care and opportunity is not liberty, it is tyranny—the despotic of unemployment, the dictatorship of pain, the apartheid of disadvantage. The cas against that withdrawal from responsibility, against that desertion of duty is overwhelming."

Invoking the memory of the late Lord Stockton, Mr Kinnock recalled how, over 50 years ago, the former MP for nearby Stockton had attacked the government of the day for seeking to solve the nation's problems by keeping millions of people unemployed. Only the numbers of jobless had changed, he stressed, but the case for a broad policy of reconstruction remained as strong.

Mr Kinnock claimed that the "great gulf" was again wide and remained just as unbridged by the present Government as it had been during the time of Baldwin and Chamberlain. "In the name of Britain north, west, east and south, it can be closed and it must be closed.

"That is why government, democratically elected government put in power by the whole country, to serve the whole country, must take a hand in the healing."

He said it was the central challenge to modern government and one that the Labour government would begin to meet as soon as it was elected.

Guarantee on teachers' agreement

By David Brindle

LABOUR gave a firm undertaking yesterday to implement the agreement reached between the employers and unions on Monday on restoring direct negotiations on the pay and conditions of teachers i England and Wales.

Mr Giles Radice, Labour's education spokesman, said: "I can guarantee parents that with the election of a Labour Government, industrial action in our classrooms will be over. Immediately on taking office I will convene a meeting of the employers' and teachers' organisations to confirm the agreement

The NUT and NAS/UWT, the two main teaching unions, yesterday began a further round of half-day strikes in protest at the Government's abolition of negotiations and imposition of an "interim advisory committee" on pay and conditions.

Mr Radice said Monday's agreement—which is not supported by two of the smaller unions—met five necessary conditions: it recognised teachers' right to negotiate; it brought together determination of pay and conditions; it provided for discussion of issues such as class size and educational standards; it gave a role to the Education Secretary; and it gave observer status to church and voluntary educational organisations.

Rooting for Rosie's attempt to become a hardy annual

Clay Harris profiles the SDPs' bright hope in Greenwich

THE LAUNCH of Rosie was a salesman's dream. Old brands were discarded (literally) left and right for the fresh newcomer who seemed to have been designed specially for the Greenwich test market.

Three months after her 6,661 by-election majority for the SDP washed away Labour's 45-year hold on the south-east London seat, friend and foe alike often still find Mrs Rosie Barnes too good to be true: so photogenic, so unthreatening, as class-neutral as it is possible to be.

The Alliance certainly knows an icon when it sees one, but does it know how to use her? Its first election broadcast presented her as The Apotheosis of a Concerned Mother.

Mrs Barnes admits to a slight shudder at the total effect. "It turned out as a bit of a monologue, and that end line reduced it." (Male voice: "The Alliance has 100 women candidates, far more than either of the other two parties.")

"Male politicians are more at ease with the Persil image," says a local adversary who, despite disagreements on many issues, has watched with interest the development of Mrs Barnes' political nous in a brief career. The parliamentary by-election was only her second campaign for public office.

"Any publicity is good publicity to a degree," says Mrs Barnes. Nevertheless, she looks forward to losing some of her novelty value, to becoming more than just "Rosie on telly," in the words of an excited little girl in a Blackheath supermarket last weekend.

But where, indeed, is the beef? The brief translation from smiler on the doorstep to Westminster politician was not especially easy. Lulled perhaps by the traditional silence and indeed genuine praise for her maiden speech, she was unprepared for the barracking when she stood up for the second time.

She lost her nerve, but immediately started preparing for the next speech: "I'm determined not to be put down. I thought: 'I'm going to tackle this,' and I was prepared to retaliate."

Similarly, she accepted the role of Alliance spokesman on women with reluctance and only for the duration of the campaign. She is insistent that so-called women's issues should not be segregated because, in reality, they affect all ages and sexes.

As a newcomer she wants to please the old hands but not to be thought soft. She had no Alliance portfolio in the last parliament, because they had been shared out just before her arrival.

"I didn't want to take anything that wasn't important enough to have already been allocated." Neither did she want to make a play for someone else's brief.

She aims to capitalise on her role as an outsider. "I talk a different language from people in politics. They've lost their ability to see things from a non-political perspective."

Twenty years as a market researcher have given her an advantage over other women entering politics: "Many of them have the skills but they don't have the language."

In politics, as well as market research, she talks to people at their own level and translates their views into decision makers' argot. "My job is to be able to talk in both languages and translate one to another."

Her unabashed belief in the importance of the mundane adds to her appeal at the hustings.

She believes in "practical solutions to practical problems" but, in Greenwich, has the political luxury of not having to take responsibility for any of the complaints she hears. Depending on the problem, voters can blame the Conservative Government or the Labour-controlled Inner London Education Authority or borough and she can reap the benefit if she successfully intercedes in the worst cases.

However, she would not be satisfied forever only as a constituency MP: "I regard it in some ways as an apprenticeship. I will reach a stage when I can do it very easily. I'm prepared to take major areas of responsibility."

The campaign itself in Greenwich has the air of anti-climax, with the three main parties putting up the same candidates as in February. Having access only to local resources this time, the Alliance is relying on spot checks rather than mounting a full canvass of the constituency.

After Mrs Deirdre Wood's reselection by one vote, the Labour effort appears to be united but desultory. Mrs Barnes says she is surprised at the number of voters who say that they would have returned to Labour if only Mrs Wood's rival, Mr Jim Gilman, had been selected.

The result will turn on how many of the Conservatives who voted for Mrs Barnes in February will this time support Mr John Antcliffe, self-promoted as "the only man for Greenwich."

Trevor Humphries

Chasing the floating voter: Rosie Barnes alongside the tea clipper Cutty Sark at Greenwich.

Close result seen in Bolton

BY IAN HAMILTON FAZEY AND ANTHONY MORETON

LABOUR and the Conservatives are almost neck-and-neck in the marginal constituency of Bolton North-East, according to a poll by Mori broadcast by the Granada Reports regional news programme last night.

The poll gives Mr Peter Thurnham, the defending Conservative, 44 per cent of voting intentions, up one point on last time but only three points ahead of Mr Frank White, his Labour challenger. The Alliance is on 15 per cent, three points down on 1983.

Mr White lost in neighbouring Bury North in 1983, despite an acknowledged large personal vote. His showing in Bolton North-East so far improves on Labour's 38 per cent share of the vote then.

Mori's poll of Hazel Grove, also broadcast by Granada TV last night, puts the Conservative, Mr Tom Arnold, on 46 per cent, 11 points in front of Mr Andrew Vos, the Alliance challenger.

But a Granada spokesman warned that the poll had been taken over an 11-day period and was therefore suspect. Analysis suggested that a swing to the Alliance was under way with Labour, on 19 per cent, being squeezed.

According to a separate poll Labour should hold one of its key marginal seats in Cardiff—Cardiff South and Penarth—with a much bigger majority.

The seat has been held, with various boundary changes, for the past 42 years by Sir James Callaghan, the former Labour Prime Minister, who saw his majority at the 1983 election drop to 2,276 votes over his Conservative opponent.

The poll, commissioned by HTV Wales, forecasts that Labour's Mr Alan Michael, should take the seat with 51 per cent of the vote which would double Sir James's majority.

The Conservative vote is forecast to hold reasonably steady at 34 per cent, compared with 35.9 per cent in 1983, and the real loser is the Alliance, whose share has dropped to 13 per cent against 20.9 per cent last time.

The poll is further evidence of a hardening in Labour support in key South Wales marginals. Another poll last week, conducted for Cardiff's evening paper, the South Wales Echo, suggested that Mr Mark Robinson, parliamentary secretary at the Welsh Oce, could be overthrown by Labour hard-left candidate, Mr Paul Flynn, in Newport West.

Mr Robinson only won the seat, newly created after boundary changes in 1983, by 591 votes from Labour.

Paisley attacks 'cheek' of Thatcher letter

By Hugh Carnegy in Belfast

A HAND-WRITTEN letter apparently from Mr Denis Thatcher was produced by the Rev Ian Paisley yesterday as evidence of contemptuous, colonial British attitudes towards Northern Ireland.

Photocopies of the letter on headed Downing Street writing paper were handed to journalists by an indignant Mr Paisley. Dated May 10, it was addressed to a Mrs Ireland, who Mr Paisley said was a former constituent of his now living in England.

In it Mr Thatcher wrote: "Of course one feels deeply at the loss of good loyal men of the RUC. Does one hear the same cry in Northern Ireland of our grievous loss of officers and soldiers of our army, now in excess of 100 dead?

He went on to rebut a charge of inept government, saying: "Let the people never forget that their politicians steadfastly refuse to do anything at all in the government of the province.

May God help the people of Northern Ireland if there is a socialist government at Westminster, Mr Thatcher remarked.

Mr Paisley said the letter showed "the real heart" of Mrs Thatcher. "It's not our army that's on the streets, it's her army . . . they blame everything on the politicians. We were never even conconsulted. We were totally ignored yet Denis Thatcher has the cheek so thay this."

Car pollution action promised by Waldegrave

THE next Conservative government will introduce anti-pollution and noise controls for small and medium-sized cars, Mr William Waldegrave, the Environment Minister, announced yesterday.

He said proposed European standards for cars would achieve "huge gains" in controlling the most damaging pollutants.

Mr Waldegrave said the proposed European standards would be implemented by Britain if they were also agreed by France and Italy. He said he believed both countries would accept the standards, which were optional. In that case, Britain would bring them into operation at the first "legal date."

"For large cars, which are a small part of the market, we will wait a little longer before deciding, to see how technology and the market develops.

Younger warns of US military withdrawal

MR GEORGE YOUNGER, the Defence Secretary, warned last night that if Labour closed US nuclear bases in Britain the Americans could withdraw completely from the UK.

Speaking at Barrow-in-Furness, Cumbria, Mr Younger said the election of a Labour government would have a profound effect on thousands working in defence-related industries.

As fast as Mr Neil Kinnock, the Labour leader, promised to create jobs, his party announced policies which would destroy them, said Mr Younger.

"Over the next few years, as many as 30,000 people will be employed in the Polaris and Trident programmes.

"Labour promised to cancel Polaris and Trident, putting all those jobs at risk. This would have devastating consequences for local communities who rely heavily on defence-related work." Vickers Shipbuilding is based at Barrow.

Each year, British industry exported more than £800m of defence equipment and 1986 was a record year.

US bases in Britian generated £600m for the British economy

Defence policy was the centre of dispute yesterday between Sir Geoffrey Howe, the Foreign Secretary, and Mr Denis Healey, his Labour shadow.

Sir Geoffrey attacked Mr Healey's support for Labour's non-nuclear defence proposals in the light of the past record.

He said Mr Healey had said and written in the past that he was opposed to unilateral disarmament appearing in the Labour manifesto.

Sir Geoffrey said that Dr David Owen and others had left the Labour Party because of its unilateralism. "Why had not Denis Healey done the same?"

Mr Healey, appearing on the same programme, replied: "Sir Geoffrey is totally incapable of answering my points so he is descending to personal abuse." He called Government defence policy "totally inconsistent."

'Callous' cuts in aid condemned

HUNDREDS of thousands of children in Third World countries could have been alive today if the Tories had increased their overseas aid efforts, Labour claimed yesterday.

Mr Stuart Holland, shadow Minister for Overseas Development, condemned the "callous, cynical and short-sighted" cut in Britain's overseas aid budget which had decreased since 1979, from 0.5 per cent of the national product to a third of one per cent.

UK NEWS – THE GENERAL ELECTION

Trevor Humphries

Index linked: fingers do the talking for Roy Hattersley, Labour's deputy leader, and Nigel Lawson, the Chancellor, at their respective party Press conferences yesterday.

Lawson warns of Labour plans to raise taxes

BY LISA WOOD

A MARRIED man on average *earnings would pay £10* more income tax each week under a Labour government, Mr Nigel Lawson, the Chancellor, warned yesterday.

Mr Lawson, attacking Labour's economic policies, said: "What they give in benefits they tax in tax." He said that for the past fortnight Labour's "hidden manifesto of tax increases" had been slowly and painfully extracted by the *Conservatives*: "Labour would put the basic rate of income tax up to 29p in the pound. That *is just for starters.*

"They would abolish the ceiling on National Insurance *contributions so* that 2m people would pay higher contributions. And this week we have discovered that their proposals for higher tax benefits and higher pensions depend on the abolition of the married man's tax allowance."

Mr Lawson defended the Conservative record on taxation. *He said a man on average earn*ings was paying 16 per cent less in income tax and National Insurance now compared with 1979, assuming his earnings had stayed level in *real terms.* "*Even if you take* value added tax into account, he would still be paying less tax," said Mr Lawson.

Mrs Thatcher, speaking at the press conference, would give no commitment about not increasing VAT because, she said, that would tie the options of the Chanceller for five years.

However, she said that in 1979 there had been a strategic shift from direct to indirect taxation. She said: "There is no such strategic shift now."

Mr Lawson claimed that *higher spending, higher* taxation, higher borrowing, higher inflation and higher interest *rates would inevitably result* from Labour's plans. These would take Birtain's economy back to the sort of economic cirsis of a decade ago. "And that," said Mr Lawson, "would mean worse, not better, public services and higher, not lower, unemployment." Mr Lawson said that Britain was enjoying *higher economic growth and* lower infiaton than for almost 20 years. This was not an accident, but the result *of* Conservative policies.

'Richest 5% will pay for increased benefits'

BY FIONA THOMPSON

LABOUR yesterday condemned the "dreadful divisions" in Britain after eight years of Tory rule.

"In every area of public provision—health, education, housing, *pensions*—provision for the most advantaged minority has improved while provision for the *majority* has deteriorated." Mr Roy Hattersley, Labour's deputy leader, said at the party's press conference in London.

Tax cuts had been intentionally geared to meet the interests of the highest paid, he said, while the income of the average family had been reduced by more VAT, child benefit that failed to keep pace with inflation and pensions not linked to *average earnings.*

Unemployment had caused the greatest divide. Labour would spend £6bn to cut unemployment by 1m in two years, he said. The money would be found by reversing this year's tax cut and increasing government borrowing by £3.5bn.

Labour would increase child benefit by £3 a week and pensions by £5 for single people and £8 for a couple. The highest paid 5 per cent — individuals earning £500 a week or more — would finance this.

Mr Gordon Brown, Labour's *regional affairs spokesman, said* that in 1979 the average wealth of the top 5 per cent of the population, that is about 2m peovle, was £86,000 per head. "*Now it is a staggering* £184,000," he said.

The wealth of the top 1 per cent, about 400,000 people, averaged £231,000 in 1979. It was now £495,000.

"That means that Mrs Thatcher's ultra rich have in eight years accumulated an extra £264,000 per head in wealth," said Mr Brown.

The rich continued to become richer by further tax cuts. Those earning more than £50,000 per annum were amassing an extra £11,000 in tax cuts *this year alone, he said. While* the lucky few were enjoying windfalls, Mrs Thatcher was stacking the odds heavily against the majority of the population.

"Mrs Thatcher may think that for the unemployed it is but a short step from the Stock Exchange, yet after eight years the unemployed family has no shares, no wealth and less and less chance of securing jobs. *They have more need of* the pawnbroker than the stockbroker," he said.

There were 150 people chasing every unskilled job. In the north, a labourer's chances of a jub under the Tories was 500 to 1 against.

Mr Hattersley, asked about the proposed elimination of the married man's *tax* allowance, said it was necessary and would beintroduced "in such a way that there will be no sigificant losers."

Hold-ups in the land of political unbelievers

IT WAS clear that something *was wrong yesterday* as soon as the vanguard of Mrs Thatcher's election travelcade passed through the town of Auchtermuchty in Fife. Two local citizens waved agreeing but they were outnumbered *ten-to-one* by another group cheerfully waving two fingers in *derision.*

Having crossed the border into Scotland we had fallen amongthe unbelievers who had not been converted by eight years of Thatcherism.

Clearly the crusty Tory writings of Sir John Junor, former editor of the Sunday Express, have not had much effect on the independent-minded citizens of Auchtermuchty, the town of his *birth which figures prominently* in his writings as the fountainhead of folksy wis*dom.*

These suspicions were confirmed when the election convoy was stuck for some time behind a truck carying hay and tavelling at about 25 mph. The driver was not going to move over for anyone and suspicions were arounsed that he could be an *obdurate members of the* Scottish National Party trying to prevent the sassenach leader reaching her destination.

The lady had landed a little earlier at a military airfield where she was surrounded by lines of dangerous-looking fighter aircraft. Not so long *ago the victor of the* Falklands would have delighted in being photographed in such military surroundings. But at the moment Maggie s eager to divert Labour accusations about her imperious style.

So the order went out on her aircraft that no photographs *were to be taken of her at* this location. This embargo did not, however, last for long as a cohort of local press and TV cameramen was already lined up waiting for her.

Her next stop was at the Marconi Youth Training Centre was more typical of Labour-dominated Scotland *as it was in the Dunfermine* East constituency which was held in the last parliament by Gordon Brown, for Labour, with a majority of 11,301, the Tories coming third behind the Liberals.

As Mrs Thatcher arrived a Labour supporter with a the assembling crowds that the Labour Party was the only one "capable of froming a half-decent government." Now there's an unusual slogan which might do Mr Kinnock a bit of good in the present circumstances.

At Marconi Mrs Thatcher was presented with an owl, 16 inches high, with eyes that opened and lit up when activated by the human voice. Cruel spirits in the press corps immediately christened it Sir Geoffrey Howe.

As Mrs Thatcher departed a Labour supporter with a *microphone bellowed that she* had better order the removal van to be ready to clear out of No 10 on June 11 when Mr Kinnock would take over.

Tom Lynch on a contest where local issues hold centre stage

Grant gap could penalise Benn

"HOW CAN I vote for you after what you have done to my rates?" is a common doorstep *greeting for Hilary Benn on his* crusade to win the west London suburban sprawl of Ealing North for *Labour.*

Higher spending by the Labour council and the with*drawal of £23m in Government* grant have combined to push Ealing's domestic rates up by 65 per cent this year. To make matters worse for Mr Benn, a strike by town hall staff delayed the dispatch of the rates bills until last week — just in time to ensure he received a warm doorstep reception as the council's deputy leader.

"Who voted for 65 per cent Ealing rates rise? Not me," proclaim window posters in Tory blue, signalling the determination of Mr Harry Green*way — who is defending a* 6,291 vote majority — to make sure that responsibility for that increase is pinned firmly on his Labour opponent.

Alan Harper

Benns on the lookout: Hilary Benn with his sons James (left) and Michael on the campaign trail.

Mr Tony Miller, for the Alliance, is similarly determined to make the Labour council's record the main point of his attack. As a councillor, he sup*ported the improvements in* direct services—which he estimates would have meant rates going up by 20 per cent to 25 per cent—but he argues that Labour has spent too much on support staff for equality, race and police working groups.

Illness delayed the start of Mr Miller's campaign, but he *is now* promising to follow the national Alliance trend of sharpening the attack on the other parties. For a man with a gentle demeanour, he is particularly fierce on Mr Benn. Recalling a more celebrated deputy council *leader of recent years, he refers* to him as "the Derek Hatton of the western suburbs."

Mr Benn — *whose endorse*ment by the hard left journal, London Labour Briefing, earned him a listing as one of the *Alliance's* '101 damnations' — affects injured surprise at being singled out as an extremist and *recalls that he is hardly* the first Labour candidate to face such accusations. He challenges opponents to call for the withdrawal of the council's "extremist increases" in spending on schools and to "unbuild" the council's 600 "extreme" new homes.

Mr Greenway insists that he will ignore personalities and concentrate on the "*vile policies* of the hard left." Rates apart, he says a row last year *over a council document* proposing that school sex education should present homosexual lifestyles as "equally valid" is surfacing on the doorstep. A *former* deputy headmaster, he argues that traditional Christian family values should be at the centre of education.

The sense that a local rather *than general* election is being fought is reinforced by Mr Greenway's third complaint against the council—the use of greenfield sites for the building of new council houses.

His election address is packed with references to local conflicts between the council's building programme and local *amenity. He* says the council has relaxed the rules governing its acceptance of homeless families to such an extent that the number of families in bed and breakfast accommodation has shot up from 30 to 900, costing £10m a year.

Mr Miller, who won 21.5 per cent of the vote in 1983, insists, in the best tradition of *third-placed candidates, that he is* going for victory, in spite of the 23.6 per cent gap between him and Mr Greenway. However, a *second place* would be a creditable result, and Mr Miller's sights are firmly set on the traditional Labour vote in the council estates built to house the workers in the post-war industries established on the main London-Oxford road and now mostly gone.

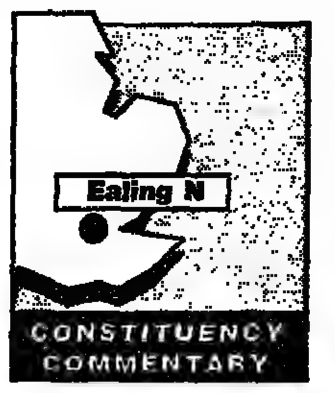
EALING NORTH: 1983 election result—H. Greenway (C) 23,128; H. J. Benn (Lab) 16,837; A. Miller (Lib) 11,021. C majority 6,291. Turnout 74.8 per cent. Candidates: H. Greenway (C); H. J. Benn (Lab); A. Miller (Lib); Mrs J. Fitzherbert (Green).

He says those voters do not identify with current Labour policies and resent the price they are asked to pay for them locally. They were angered by Labour's handling of the "gays and lesbians" issue, when a more sensitive approach might have succeeded.

Promising that the *fairly* gentlemanly campaign "is going to warm up," Mr Miller accuses both his opponents of putting a moderate mask on immoderate views and argues that they should "come clean" about their true beliefs.

He says that Mr Benn is wedded to left-wing Labour *conference policies* and that Mr Greenway, while expressing sympathy over large rates rises and local factory closures, has supported a Government which has helped bring them about.

Local issues were very much *on people's minds as* Mr Benn canvassed in Tory Perivale and two cropped up in a curious combination. "Why are you building all these houses for gays and lesbians?" asked one irate voter, assuring Mr Benn that this must be happening because he read it in his paper (The Sun).



A long discussion ensued, with Mr Benn arguing that *building houses for the homeless*—who, the elector argues must all be feckless boozers and *gamblers—is a legitimate* council activity. At this, as at many other doors, he explains how the rates support grant penalty system will send 57p in every extra pound straight to the Treasury.

He itemises the result of the money—more teachers, more books and equipment, more nursery classes, free milk and more houses — and asks people to judge the council at the local elections in 1990. This month's vote is about eight years of Conservative rule.

Mr Benn says alleged Labour extremism is not being raised as often as in 1983 and that, popular as the rates question may be, Mrs Thatcher's style of government is mentioned more often. "I am not voting for Mrs Thatcher. I am voting for Harry Greenway," one Conservative supporter insisted.

Amid the clamour, Mrs Kay Fitzherbert, a self-employed social worker, is striving to make the voice of the Green Party heard. The seat was chosen as one of the Greens' contests because of the habit marginal seats have of getting noticed, and Mrs Fitzherbert is using her Ealing platform to *aid her party's attempt to* "change the agenda" of British politics.

Her message is one which cannot fail to strike a chord, but when June 11 dawns the outcome in Ealing North may well hang on how those now pondering their position decide to vote. If they decide not to support Mr Benn, the grant penalty system will take a lot of the credit.

Alliance targets women

By Lisa Wood

THE ALLIANCE said yesterday it was determined to make women's issues and viewpoints a central part of an Alliance Government.

Baroness Seear, Liberal spokeswoman on social services, said Labour's idea for a Ministry of Women was a great mistake and would ghettoise women's issues which should be represented at all levels. "Just imagine a Ministry of Women up against the Treasury," she said.

The Alliance, targeting the women's vote, outlined its proposals at a press conference in London. These included equal pay, separate taxation, the right to collect family social security, tax relief on child care for working women and a careers' charter.

The Alliance is fielding 105 women candidates, which *it* claims is more than any other party.

Mrs Rosie Barnes, the SDP candidate at Greenwich, said the teachers' dispute had adverse repercussions on women who had to look after children sent home early because of the dispute. Women had lost part-time jobs and job promotion because they had been forced to take time off.

Mrs Shirley Williams took the opportunity of commending to proportional representation in decrying the number of women elected to parliament. She said: "In constituencies returning five or six members of parliament, instead of one, parties would not dare put up a list consisting only of men.

Baroness Seears said the European Court of Justice had done more for working women than the trade unions.

Expatriates win voter rights but lose excuse for seaside party

Quentin Peel on British polling concerns in Belgium

IT WILL never be quite the same again for British expatriates on election night in Belgium.

They used to pack their bags and head for a seaside hotel—in Ostend, or ill-fated Zeebrugge, or inland in the more aesthetic surroundings of medieval Bruges — all for a *television which could pick* up the BBC or ITV and tune in to blow-by-blow results, *accompanied by best Belgian* beer.

Thanks to cable television, you can get the BBC in any home in Belgium now, so the excuse for a seaside party has evaporated. Indeed the British expatriates are as shellshocked with the saturation coverage of the election campaign as any of their friends and relations back home.

It will also be the first British general election since votes for expatriates were introduced — but that will not change much in Belgium. Indeed, it is something of a sore point.

There are an estimated 25,000 British in Belgium, thanks to all the institutions of the European Community, the headquarters of Nato, and continental bases for a host of multinationals, not to mention those who stayed behind after the war.

Nearly half must be of voting age. Yet the number who had registered to vote by October 10 last year, after exhaustive publicity and campaigning by all the main parties, and the British embassy, was just 328.

The problem for many was the requirement that you must have lived in Britain in the previous five years to qualify—a rule that many potential voters who have been working in the European institutions since Britain joined the Community in 1973 find deeply offensive.

"Any of us can stand for parliament, but many of us can't vote," says Mrs Barbara Emerson, who presides over the SDP area party... in Belgium, quoting the case of at least two disenfranchised Brussels bureaucrats standing for Westminster. "We let ourselves into all sorts of anomalies," according to one. "My 18-year-old daughter will be on the register from September as a student, and I won't be."

The Association for the Rights of Britons Abroad (Arba) in Luxembourg carried out its own opinion poll to find out why the uptake of voting rights seemed so low. Only 20 per cent of those who answered the questionnaire were actually eligible to apply for the expatriate vote, because the great majority had been out of the country for more than five years.

Many more did not apply because they could not find a *suitable proxy*, or disagreed with the proxy system, they said. Others were already registered in Britain, or had never registered before coming abroad.

All things considered, Brussels is inevitably an intensely political town for its expatriate population. All the British parties have flourishing local branches, and all are supporting their parent organisations back home, financially and physically.

Whereas most expatriate communities around the world tend to be overwhelmingly Tory, in Brussels both Labour and the Alliance are fairly well represented.

Yet there are not many issues in this campaign which have really excited the expatriates. If they are worried about health and education, they are more likely to be in the Tory camp, because they have *no great call on the* state system.

Taxation always causes ripples. "There is a *bit of* concern at the vague Labour threats about repatriation of capital," according to one European Parliament staff member. "Those who own Swiss chalets or villas in Provence never like the sound of that."

The Eurocrats are both happy and sad that the politics of the Community are not in question. They are happy that the question of withdrawal from the EC no longer figures in the Labour Party manifesto. Then they are sad that issues of continental concern—full membership of the European Monetary System, co-operation on high technology research, or developing common social, regional and environmental policies—have not surfaced in the British debate.

There will still be a party *on election night in the* centre of Brussels, organised by the English Speaking Union, but it will not be quite the same as the seaside specials of former elections. Nor is there much consensus about its purpose: "It's just a mask for the Conservatives," Mrs Emerson says. "We were invited, but we turned it down. When we are celebrating, or throwing a wake, we prefer to do it on our own."

Steel makes pledge to industry

By Philip Rawstorne

THE THATCHER years have been the locust years for Britain's manufacturing industry, Mr David Steel, the Liberal *leader, alleged yesterday.*

Speaking after a visit to the David Brown engineering works at Huddersfield, Mr Steel said that but for the windfalls of North Sea oil and financial services, the Tories would have bankrupted the country.

A survey for the Engineering Employers Federation showed that *only a third of engineering* managers believed the Conservatives had a proper industrial policy.

Mrs Thatcher had presided over "a fundamental change in British industry from which it will be mighty hard to recover," he *said.*

"A country which was once the *workshop of the world* now has a £508m balance-of-payments deficit in manufacturing credit. The Engineering Industry Training Board reports a 60 per cent loss of apprenticeships — a further *appalling indictment of her* Government's aproach."

Speaking earlier at Calder Valley, Mr Steel blamed both the major perties for the growing north-south divide.

"It is very significant that there is not a single representative from the industrial north in the Thatcher Cabinet," he *said, "and it shows."* It *had* led to the drift, of wealth and opportunity to the golden triangle of the south-east.

Mr Steel said the Alliance would devote far more resources to industrial restructuring and investment and other measures to reverse this trend. He gave a warning that if Mrs Thatcher was re-elected it would mean a further shift to the right. Another Labour government would mean a shift to the left.

THE ISSUES: CITY REGULATION

Parties in dispute over optimum scale of financial markets control

BY BARRY RILEY,

REGULATION of the City of London's financial markets is scarcely a vote-winning topic. It tends to surface in election campaigns only at the level of Labour sneers about Conservatives being more interested in hounding small-time social security scroungers than in pursuing large-scale white collar criminals.

In fact, the Tories were worried at one time that City scandals might lose them votes. There are suggestions it was no coincidence that the hurried prosecution and arrest of Mr Ernest Saunders, the disgraced former Guinness chairman, came just ahead of the election announcement.

It is considered that this was designed precisely to forestall criticism about the apparent reluctance of the authorities to bring financial crime to book.

Of course, City slickers tend to be much more adept than the average dole cheat. They have also, in the past, operated within a loosely drawn regulatory framework, full of loopholes.

But this is already changing fast. The Financial Services Act was one of the *last important* pieces of legislation passed by the outgoing Conservative Government.

Its provisions are coming into force in stages. When the act *is in full operation early next* year it will become a criminal offence to carry on investment *business without authorisation.* The Companies Acts have also been tightened up.

According to the Tory manifesto: "The Conservative Party is the party of law and order. That applies just as much to City fraud as to street crime."

The Labour manifesto, in a significant way, brackets City regulation with broader economic ambitions. The Labour Party demonstrates little interest in the protection of investors but is anxious to *assert greater political control* over the City's markets.

Labour will "bring in a *stronger regulatory framework* to ensure honest practice in the City of London and introduce *new safeguards* on mergers, takeovers and monopolies to protect our national industrial, technological and development interests," the manifesto promises.

Although policy on financial regulation is not exactly a crucial plank of the Labour platform, it is curious that the Financial Services Act proved a career stepping stone for Mr Bryan Gould, the Shadow Chief Secretary of the Treasury.

His success in marshalling the Opposition's meagre forces during the passage of that legislation led directly to his leap to prominence as Labour's campaign co-ordinator.

Mr Gould set out to become *Labour's expert* in the financial markets, energetically doing the rounds of the City's luncheon circuit. Though he was eager to learn, his conclusions did not charm every City figure.

"He went straight back to parliament and voted against what we told him," grumbled the chairman of one large Lloyd's broking firm.

He was referring to controversial issues of whether Lloyd's, the insurance market, should come within the scope of the financial services legislation. In the end, it was left out.

Another fundamental dispute concerned the status of the main watchdog body, the Securities and Investments Board. Labour campaigned successfully to ensure that it was named in the statute, but failed to win amendments which would have made the SIB a self-standing statutory commission.

The Conservatives have been much more ready to listen to the City's arguments in favour of self-regulation, under which the markets do their own policing, with some statutory backing.

To encourage experienced practitioners to participate, SIB has an unusual status—it is a private company (limited by guarantee), with a pivotal position in the regulatory framework.

Recent events—notably the Guinness affair, which blew up just after the Financial Services Act was passed—have tended to reinforce the opposition case.

The Takeover Panel, a *bastion of self-regulation in the* City for nearly 20 years, has *been severely embarrassed* by its failure to detect, let alone prevent, serious breaches of its code in the past year or two.

Consequently the panel has been beefed up, with a new chairman and other new members, and is to be more aggressive in enforcing its rules. But the panel declined statutory recognition under the Financial Services Act, an issue Labour would want to review.

Labour would prefer the Securities and Investments Board to have a status more on the lines of the Ontario Securities Commission. The aim would be to gain greater political control, but avoid creeping bureaucracy which has made the Department of Trade and Industry a rather poor regulator of securities dealers under the old Prevention of *Fraud* (Investments) Act.

The Conservatives have *argued that it is necessary to* bring in practitioners, and pay well over Civil Service scales to regulate effectively while avoiding crippling the development of the markets.

Labour is much more suspicious that practitioners will fail to prosecute their own kind diligently. The recent successes of the Securities and Exchange Commission in the US have highlighted the potential of the statutory route, although in the past the SEC has had its lean times too.

Whether Labour would need extensive changes to the financial *services* legislation is *not* clear. The act is very flexible in its structure.

A *future Labour Trade and* Industry Secretary could withdraw powers from SIB and set up his own regulatory department within the department. *Alternatively he could transfer* powers to another body more to his liking.

He could try to pack the SIB board with his own men, although in theory the Governor of the Bank *of* England could interfere with such a process.

The Alliance manifesto is silent on all of this, although it does advocate wider share ownership, implying that the Alliance has an interest in improving the level of honesty in the *investment markets.*

A strong tendency towards corporatism in the Alliance manifesto indicates that, as with Labour, there would be greater interference in market mechanismis. Companies, for instance, would have to make more formal justification of *merger proposals.*

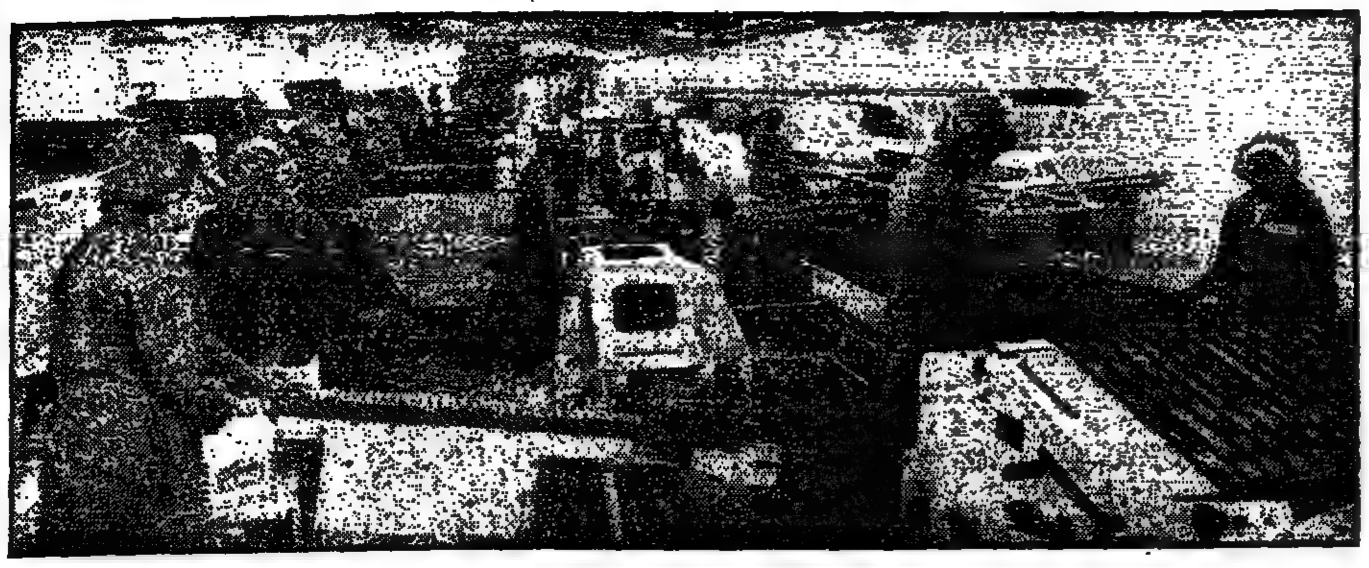
MANAGEMENT

IT IS just after mid-day, and as most other workers are preparing for their lunch break, women in orange caps are pouring out from the end of the first shift of the day at KP Food's Ashby de la Zouche, Leicestershire, factory.

The out-pouring is the product of radical changes to shift patterns introduced since 1980 which mean that 85 per cent of the company's 6,000 production workers are part-time. KP Foods, a subsidiary of United Biscuits, is one of the most striking examples of the growing number of companies turning to the flexibility afforded by part-time workers.

Why and how has this company transformed the way it uses its labour so that the eight-hour shift, the forty-hour week is virtually a thing of the past?

In 1980 the company determined that to maintain its position in the market for biscuits, crisps, nuts and other savouries, it would have to reduce worker hours per tonne by a minimum of 5 per cent per annum over the decade.



KP Foods' production line at Ashby de la Zouche: productivity is up, absenteeism down

KP cracks a hard nut

The UK food company has a flexible shift pattern which suits both the objectives of the manufacturer and the workers themselves. Charles Leadbeater reports

It also planned a £60m investment programme. Biscuits hurtle round the factory in an automated cavalry charge from computer-controlled dough mixers, to computer-controlled packaging machines. "It was vital that we should utilise this expensive capital as fully as possible," says Brian Parrish, director of industrial relations.

The company also wanted greater flexibility to allow it to cope more effectively with the changing demands of retailers. The vast majority of the biscuits produced at Ashby are for retailers' own brands. "The shelf-life on these products is often very short and some retailers change their orders by the week," explains Parrish.

Finally KP Foods says it wanted to minimise the impact of these changes on its employees at a time when unemployment was rising steeply.

To achieve these aims the company decided to redesign its patchwork of shift patterns. Most production workers used to work a 40-hour, four-and-a-half-day week, in three shifts: 6.00 am to 2 pm; 2 pm till 10 pm, and 10 pm to 6 am. Within these shifts only 70 per cent of the paid time that employees spent on site was devoted to work. The remainder was taken up with meal breaks.

"Under the traditional methods of work there was a high element of premium cost arising from the payment of shift premiums, as well as additional costs from loss of continuity in production," says Alan Jones, the company's personnel director.

Jones and Parrish decided the solution was to introduce a set of five-hour mini shifts, so that most employees would work a 25 hour week.

This has allowed the company to have continuous working for 131 hours a week, instead of 102 hours under the previous system. It has also allowed continuous production, as all meal breaks are taken outside company time. Expensive shift premium payments have been reduced markedly.

It is easy to come up with shift patterns which will achieve business ends; the difficult thing is to find a way of introducing them with the workforce's cooperation, consent and commitment, says Jones.

This was a task made all the more difficult as the part-timers' earnings at £66 a week are 40 per cent below those on a 40-hour week.

"We stressed that it was all going to be voluntary, done through negotiations with our unions. But it was also vital that we as a management team had a very clear idea of what we wanted and why, and were able to communicate that to the staff," says Jones.

The first step was to recruit staff onto a 25 hour week. About 15 per cent of the production workers leave each year, so over a three year period this meant the company was able to make substantial progress. The company also became one of the largest users of the Government's now abandoned Job Splitting Scheme.

KP Foods offered full-time employees two-thirds of the £840 grant available to encourage them to move to reduced hours. It also set out to persuade those moving to part-time hours that they were not going to be devalued.

Managers resist talking about part-timers. "It sounds derogatory—we prefer reduced hours," says Parrish. Part-timers' promotion prospects have also been protected to ensure that it is not just full-time staff who fill supervisory jobs.

Crucially the company insisted that those working reduced hours would maintain their right to the company welfare benefits that part-timers frequently go without. The pension scheme's rules were changed; part-timers get pro rata entitlements to sick pay and holiday pay.

Jones remarks: "I do not think we could have achieved it without offering these benefits." Older workers at the company's Rotherham factory are still resisting the changes for fear of losing their pension rights.

The changes were first introduced at the company's Grimsby factory after 96 per cent of the workforce voted for them in a ballot. Flushed with this success, managers admit they

Brian Parrish: a background of stable industrial relations

rushed the changes in Ashby, and thereby stalled negotiations for a year. But despite this hiccup the company says its background of stable industrial relations helped enormously.

But beyond that the make-up of KP Foods' workforce has been central to the changes: over 80 per cent are women. "It would probably have been a lot more difficult had they been men," Parrish admits.

The company says the workforce overwhelmingly supports the changes despite lower earnings, as it allows them predictable free time during the day. Most jobs in the factory are numbingly repetitive, but they are unlikely to be automated as the specification of products changes so frequently.

"With shorter shifts people do not feel tied to these jobs," says Parrish. Productivity is up, absenteeism and accidents are markedly down as the jobs have become less tiring, he says.

No one has asked to go back to full-time status, though some have left for better jobs, the company says.

But the company does not want to rest on its laurels. As Parrish explains, the next step will be to bring in seven day production, so as to extend capital utilisation.

While the company says it wanted to protect its workers from job losses provoked by sharp rises in productivity, it is also clear that high unemployment has facilitated the changes.

Part-timers have, in a sense, chosen to accept 40 per cent lower earnings — it will take about eight years of wage awards to close the gap with full-time workers—in exchange for a lower risk of unemployment. But even if unemployment falls dramatically the company does not expect its workers to want to return to full-time hours.

Jones explains: "There is nothing magical about a forty-hour, five-day week. Our standard ideas of when and how long it is appropriate to work are undergoing tremendous changes. Soon the full-time week will fall to 35 hours. There will be growing harmonisation between full-time and part-time hours. We are just a little ahead of the game."

Managing your consultant

When the outsiders come in

Michael Skapinker gives some hints to clients

DO MANAGEMENT consultants ever wake up in a cold sweat, fretting because they have run out of new services to sell to their clients?

It would be hard to believe. Consultants are endlessly inventive, constantly persuading companies that they have problems which only a consultant's advice can cure.

Today you can find a consultant who will advise you on almost anything. For example, Employment Relations, a consultancy attached to accountants Arthur Young, recently ran a seminar to teach companies how to manage their management consultants.

Several organisations, including Esso (UK), Atlas Copco and the British Waterways Board, were sufficiently concerned about this issue to send their managers along. These managers started off the seminar by talking about why they used consultants in the first place.

An outsider can help to give you a more objective view and bring a breath of fresh air into the organisation, said one manager. If managers want to effect change in an organisation consultants' recommendations can add credibility to the process, said another. Trade unions, too, might be more ready to go along with a course of action if they can be persuaded that impartial outside advice has been taken.

Other participants at the seminar said that consultants could do the sort of dirty work that managers within the organisation might shrink from doing: getting rid of certain people at the top, or imparting unpleasant news to the company.

In some cases, the reasons were slightly more cynical. If you are spending money—consultants' fees—on a problem, people are going to take it more seriously, was one view. Another was that if anything goes wrong later on, it is useful to be able to blame it on the consultant. Others pointed out that using consultants can be a way of acquiring additional hands without seeming to add to the number of employees on your books.

It is crucial, the delegates were told, to decide at the outset why you want to use a management consultant. A general feeling that things are

just not right is not a good starting point.

A good consultant will, of course, ensure that the client company has thought about its problem. "The onus is on the consultant. They are supposed to be the professionals in the field," said Mark Goodridge, Employment Relations' managing director. Even if you have thought about the issue, it might be an idea to put potential consultants on the spot and get them to tell you what they think is the nature of your problem, he added.

The formulation of this problem might, of course, change in the course of discussion and further investigation by the consultant, but at least the company has established some early control over the work to be done.

Having decided on the issue you want the consultant to work on, which consultant should you choose? One with proven expertise in the area you are addressing, Goodridge said. Ask for details of previous work of a similar nature. And always insist on meeting the people who will actually come into your organisation, rather than just the people who are attempting to sell the consultancy service to you.

In deciding which consultant to use think, too, about who will be affected by their advice. How best can your own people be persuaded to accept whatever recommendations come out of the exercise? Your choice of consultant could help. For example, said Goodridge, if the recommendations are likely to affect your engineers, it might be worth thinking about finding a consultant who is also an engineer.

Consultants might offer a free preliminary diagnosis of your company's problem before you make a final decision. Once they have a more detailed view of what they think your problem is, insist that they discuss their proposed work with you in some detail.

Resist any attempt on the part of the consultant to offer you an off-the-shelf solution, developed while working with other clients — unless, that is, an off-the-shelf solution is what you're looking for. This might be the case when you are planning to introduce a new training programme, for example.

Discuss with the consultant the pace at which he or she is going to work and what the ultimate goal is to be. How will you know when it has been reached? How will the consultant's progress be measured? It is important to break the work down and establish agreed milestones, said Ann Gammie, an Employment Relations senior consultant.

Another issue to be settled is whether the consultant should be allowed to do similar work for your competitors. If the job being done for you is a large one, you could insist that the consultant does not do similar work for a competitor, even if only for a year, Goodridge said.

And, of course, when drawing upt he contract, settle financial matters in an unambiguous way. What is the fee, what are the consultant's reimbursable expenses and when are the payments to be made?

A good consultant will want to be certain of having access to the people most directly concerned with the issue at hand. The more the client can do to facilitate this, the more accurate the consultant's diagnosis is likely to be.

Throughout, Goodridge said, never forget what the pressures on a consultant are. You judge success by the ultimate effectiveness of the consultant's recommendations and assistance in implementing them. Consultants are judged in their own organisation by how big a job they can persuade you to let them do and how often you call them back.

Worth of company cars and other benefits

BY MICHAEL DIXON

ONE of the questions you readers ask in increasing numbers every year is how much a company car is worth in terms of extra salary. Why you should do so is a bit of an enigma. To somebody who—like the Jobs column—does not have a company car, it seems a touch neurotic for anyone enjoying such a useful perk to worry about its notional value.

Even so, whatever your reasons for asking the question, an answer appears in the table alongside. It is drawn from a survey of executive pay and fringe benefits in Britain about to be published by PA Personal Services, which is obtainable from PA's pay research manager, Sheila Smith, at 60a Knightsbridge, London SW1X 7LE; telephone 01-235 6060, telex 27874.

WHAT PRIVATE USE OF A COMPANY CAR IS WORTH

Approximate retail price of car	Estimated annual value of car to employee when: No private use petrol is paid £	Private petrol to 8,000 mpa £	All petrol and costs are paid £
Up to £7,500	2,900	3,300	3,600
£7,501-£9,000	3,150	3,600	3,950
£9,001-£11,500	4,600	5,150	5,600
£11,501-£14,000	5,800	6,400	6,950
£14,001-£17,000	6,700	7,350	7,950
£17,001-£21,000	7,600	8,300	8,950
More than £21,000	9,500	10,350	11,150

HOW FREQUENTLY EXECUTIVES' CARS ARE REPLACED

Time same vehicle is retained	Chief executives %	Other directors %	Other top managers %
Two years	6	6	6
Three years	61	57	67
Four years	31	35	23
Five years	0	0	2
More than five years	2	0	0
Period varies	0	2	2

When considering the money figures in the table, it is important to bear in mind that they are only approximations. As the survey report emphasises, the four-wheeled type of perk is the most difficult of all benefits to value and no estimate can be taken as gospel.

The top half of the table starts with various retail price ranges of car. Then comes the estimated worth to the private individual of vehicles in the different ranges when the user is not allowed any fuel for non-business motoring even though the employer pays for other general running costs. The next column gives the valuation when the user also has the benefit of petrol for up to 8,000 miles of private travel a year including journeys to and from work. The right-hand column applies when all of the car's costs are met by the employer.

The lower half of the table shows how long various percentages of chief executives, subordinate directors, and other top managers are required to go on driving their old model before having it replaced with a new one.

If PA Personnel Services is right, most car-blessed readers will be pleasantly surprised by the valuations. For the survey report says that the worth of company vehicles tends to be underestimated by the people who are supplied with them, and especially so in Britain where the four-wheeled perk is more freely provided than it is in most other countries.

An idea of the differences in provision is given by the international survey made at the turn of the year by the Brussels-based Executive Compensation Service consultancy, which I discussed last week. The ECS study showed that in the UK company cars were enjoyed by 94.2 per cent of chief executives and other directors. The corresponding figures for their counterparts elsewhere were:

Country	Chiefs and directors %
Sweden	85.1
Netherlands	80.9
Denmark	77.6
Belgium	77.3
Portugal	74.5
Germany	70.6
Italy	70.6
Greece	63.2
Switzerland	63.1
Norway	58.4
Austria	56.8
Ireland	53.2
Spain	40.5

The UK board-level executives also did better than their equivalents in the other nations in terms of another important perk — the average worth of their pensions, insurance and medical benefits. Measured as a percentage of the average basic salary, those benefits worked out at 13.3 per cent for the British chiefs and directors. Those in Switzerland, the Irish Republic and Austria were only a little behind with 12.8, 12.5, and 11 per cent respectively. But for the rest the valuations were all below 10 per cent, the worst off being the Italians with a mere 1.7 per cent.

So, in view of the ECS survey's additional evidence that the UK contingent keep more of their earnings after tax and social security than any of their counterparts except the French and the Swiss, it would seem that British top managers are now among the best rewarded in overall terms in Europe.

Dealing chief

RECRUITER Dudley Edmunds of the Roger Parker Organisation seeks a senior foreign-exchange cum treasury specialist for an international bank which he may not name. He therefore promises that applicants who so request will not be identified to his client at this stage of the proceedings. The same goes for the other headhunter to be mentioned later.

The prime tasks of the job are first to establish and then to control a dealing operation involving 10 to 15 people. But where the said operation will work is evidently not yet decided. Although Belgium is currently the highest probability, the base might eventually turn out to be in France or even Hong Kong.

Mr Edmunds says the employing concern is "extremely active in the foreign exchange and treasury markets and is one of the first indigenous European banks to become positively involved in some of the more exotic off-balance-sheet instruments."

Accordingly candidates should be knowledgeable about such things as well as having consumate experience of less exotic aspects of FX and treasury dealings and, preferably, of capital markets to boot. At least a modicum of proficiency in French is wanted, and anyone who has already worked in one of the Benelux countries would have an advantage.

Salary will be the equivalent of £40,000-plus, and although the nature of the perks will depend on where the job is based, I am assured that they will be generous.

Inquiries to Dudley Edmunds at Bunge House, St Mary Axe, London EC3A 8AT; tel 01-929 1212.

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Inquiries to Anthony Nevile International, 81 Castle St, Farnham, Surrey GU9 7JB; tel 0252 711311, telex 858902 Baron G.

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Due to the promotion of the current Chief Examiner, a new appointment needs to be made for the December 1987 examination. This is a part-time position, likely to be of interest to senior practitioners and/or appropriately experienced academics.

The Securities Industry Examination was offered for the first time in January 1987 by The Stock Exchange and is composed of eight professional syllabuses, of which Regulation and Compliance is one.

The duties of a Chief Examiner include the setting of question papers and marking schemes twice yearly, training Assistant Examiners as necessary, marking scripts, and advising on the standards required of examinees. Full professional and administrative support is provided by The Stock Exchange. Remuneration will be commensurate with similar job functions. Further details of this post are available from the Examinations Section, telephone 01-588 2355, ext: 26724.

Applicants should send a copy of their CV by June 17th at the latest to:

Sue Procter, Senior Manager – Examinations and Educational Training, The Stock Exchange, Old Broad Street, London EC2N 1HP.

THE STOCK EXCHANGE

Corporate Finance

COUNTY NATWEST LIMITED is expanding its corporate finance activities in Leeds, Manchester and Birmingham. We are seeking experienced corporate finance executives with a legal or accounting qualification and knowledge of the financial centres. A competitive remuneration package will be offered.

If you are interested, please write to Ian Carlton, Personnel Manager, at: County NatWest Limited, Drapers Gardens, 12 Throgmorton Avenue, LONDON, EC2P 2ES. Tel No: 01-826 8295.

COUNTY NATWEST
& The NatWest Investment Bank Group

Documentation

IBJ International, the merchant banking subsidiary of The Industrial Bank of Japan, is seeking an additional officer to handle the documentation associated with the execution of new issues in the capital markets, with particular emphasis on North American transactions.

Candidates should be legally qualified, have a sound knowledge of corporate law and have experience of securities transactions.

We are able to offer a competitive salary and comprehensive benefits package together with good career prospects.

To apply, please send career details to Ian Matheson at

IBJ International Limited
Bucklersbury House,
3 Queen Victoria Street, London EC4N 8HR.

CJA

RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Prospects of Board appointment in 2-3 years

CORPORATE FINANCE EXECUTIVE – MERCHANT BANKING

CITY

c.£35,000 + BONUS, CAR AND GENEROUS BANK BENEFITS

PROGRESSIVE AND EXPANDING MERCHANT BANK – SUBSIDIARY OF MAJOR INTERNATIONAL FINANCIAL SERVICES ORGANISATION

To sustain the increasing and profitable growth of this successful and developing Corporate Finance Group, we seek candidates, professionally qualified, preferably in Accountancy or Law and aged 26-30. A minimum of 3 years' all-round *Corporate Finance experience will have been gained with a leading issuing house, stockbroker or* professional firm specialising in this field. A sound grasp of the fundamentals and detail involved is essential together with the capacity to maintain a high level of performance under pressure. As a member of a small team and reporting to a *Corporate Finance Director, the successful candidate will play an increasingly autonomous role at senior level in* all aspects of the work of the department including, inter alia, takeovers, mergers, acquisitions and new issues. The ability to identify opportunities and personally develop these to maximum advantage is required. Initial salary negotiable c.£35,000 *plus bonus, car, non-contributory pension, free life assurance, subsidised mortgage* and assistance with relocation expenses if necessary. Applications in strict confidence under reference CFE4502/FT to the Managing Director:– CJA.

Excellent further career prospects

PRIVATE CLIENTS SALES

CITY

£20,000–£30,000

LEADING STOCKBROKERS

Our clients provide a professional telephone-based investment advisory service to individuals and seek candidates with institutional sales, private client advisory service or similar experience. Candidates must be Registered Representatives and preferably S.E. Members. *The firm has a large active base of substantial clients to service, and* the successful applicants will generate their own ideas, covering the full range of gilts, equities, international securities, traded options etc., with the support of the firm's research material. A quick, alert mind and fluent yet *cogent communication skills are the qualities we seek. Salary is negotiable £20,000–£30,000 + good benefits* package. Applications, in strict confidence, under reference PCS4505/FT in writing to the Managing Director, or by telephone on 01-638 0680.

Opportunity to progress to full fund management responsibility

FUND MANAGEMENT – PRIVATE CLIENTS

CITY

£15,000–£23,000

This same leading firm of stockbrokers, who are a well-known name in the managment of private clients' funds, are seeking an individual with a minimum of 2-3 years' experience of supporting a Senior Manager in a firm providing a *quality and personal service, who now feels ready to take on direct responsibility for an increasingly large client list.* The successful applicant is likely to be around 30, educated to degree level and preferably with S.E. Membership. Alternatively we would consider a younger candidate seeking a first career move, with a minimum of one year's experience. *A highly presentable manner, strong written and oral communication skills and sympathetic attitude are* the qualities we seek. Initial remuneration is negotiable, dependent on age and experience, £15,000–£23,000 + good benefits package. Applications, in strict confidence, under reference FMPC4506/FT to the Managing Director:– CJA.

A career appointment with Field Management prospects in 6-12 months and scope for further advancement

NEW BUSINESS EXECUTIVE – PROPERTY FINANCE

CITY

TO £25,000 + BONUS + CAR

FAST EXPANDING CORPORATE LOANS DIVISION OF MAJOR BRITISH BANKING GROUP

For this appointment, due to expansion, we seek corporate loans executives, aged from 28, with not less than five years experience in bank corporate lending. This must include at least two years in a successful field new business development role involving *the identification of potential prospects,* credit analysis and assessment, term loan structuring and the closure of sound and profitable deals. A knowledge of the requirements of the property or construction sectors is desirable and established contacts in this field will be an asset. Reporting to a Regional *Manager but with a large measure of autonomy, the successful candidate* will be responsible for pioneering new growth and the total management of a client portfolio with increasing involvement in the overall control of the region. Essential qualities are an analytical mind, a positive and imaginative approach, presentation and negotiating skills *together with the ability to achieve targets with the minimum* of direction and supervision. Initial salary negotiable to £25,000 plus bonus, car, mortgage facility, non-contributory pension, life assurance and assistance with relocation, if necessary. Ref. NBE4500/FT.

N.B. *A vacancy exists also for a* **Client Liaison Executive** to strengthen the New Business Development Group in the areas of customer contact and support. This will include the processing and structuring of loan applications/proposals and the associated administration. A background in Corporate lending is essential and Property financing experience highly desirable. Initial salary negotiable c.£17,500, bonus, mortgage scheme, pension and life assurance. Ref. CLE4501/FT. Applications in strict confidence, under the appropriate reference above, to the Managing Director:– CJA.

Opportunity to embark upon Corporate Finance career with early prospects of increased responsibility and earnings

CORPORATE FINANCE EXECUTIVES – BANKING

CITY

c.£20,000 + BONUS + BENEFITS

FAST DEVELOPING MERCHANT BANKING ARM OF SUBSTANTIAL INTERNATIONAL FINANCIAL GROUP

For these demanding new appointments, the result of expansion, we seek Chartered Accountants or Solicitors, aged 23-27, recently qualified or with one year's post qualification experience. A broad professional training in a leading international firm specialising in the corporate field is essential and experience which relates to corporate finance activities or investigations will be a definite asset. Working within the Corporate Finance Group, the successful candidates will be involved *immediately* in all aspects of the work of a busy department, covering take-overs, mergers, acquisitions and new issues and will be encouraged, at an early stage to play an increasing role with growing responsibilities. Total commitment is necessary together with communication skills, financial judgement plus the ability to make a full contribution with the minimum of direction and supervision in a fast-moving, high pressure *environment.* Initial salary negotiable c.£20,000 plus bonus, mortgage subsidy, non-contributory pension, free life assurance and private health benefits. Applications in strict confidence under reference CFE4503/FT to the Managing Director:– CJA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE 01-628 7536

ECONOMIST/RESEARCHER

A leading firm of Chartered Surveyors with a strong reputation in property investment and retail development seeks an Applied Economist/Researcher to create a wide-ranging research and information systems unit.

The successful candidate will provide survey and statistical back-up to investment and development briefs, undertake original research for presentation and publication, and create and manage an information resource for the firm as a whole.

The position should appeal to a qualified economist or researcher in their late twenties or early thirties. Property experience is not essential, and applications from City-based economists are especially welcome.

Package: Very attractive salary, plus car and benefits.
Apply in the first instance to:

Box A0556 Financial Times,
10 Cannon Street, London EC4P 4BY

Institutional Sales

Age 25-30

A leading UK stockbroking firm will shortly appoint an additional person to join a highly successful team involved in advising a range of British and international institutions on the British equity market.

The candidate will ideally have been a graduate with experience in research and institutional broking. He/she will be expected to contribute to the development of the team's investment ideas and have the ability to communicate them to a range of institutional clients.

This is a new appointment as a result of continued growth, offering a first-class career opportunity with a leading British firm whose research record and reputation are outstanding. Remuneration is unlikely to prove a problem for the right candidate and a substantial package will be negotiated.

Please apply to: J. R. V. Coutts, Career Plan Ltd., Chichester House, Chichester Rents, Chancery Lane, London, WC2A 1EG, Tel. 01-242 5775, or Anthony Jones, 01-348 3641 between 7.30 pm and 9.30 pm.

Career plan LIMITED
Personnel Consultants

Jonathan Wren

Our client is a major financial institution specialising in both consumer and commercial finance. From its modern, well appointed Head Office, based in the Thames Valley, the Commercial Division is currently expanding its property loan portfolio and diversifying into other business sectors. As part of this expansion it seeks:—

MARKETING OFFICERS

c£20,000 + bonus + car + benefits

Reporting to the Manager — Commercial Loans, the successful applicants, aged 25 to 35, will have at least 3 years' business development experience gained within a major finance house or bank. The ability to structure secured or unsecured loans is essential, while exposure to commercial property, fleet finance or plant & machinery transactions is desirable.

CREDIT ANALYST

c£15,000 + benefits

The appointee will be aged in his/her mid 20's, educated to 'A' level standard and preferably possess either a degree or professional qualification (eg: AIB). Of utmost importance is a formal credit training coupled with 2 years' analysis of major corporate clients. The position is within an established credit team, with ultimately an opportunity to move into marketing.

All positions are based at Head Office and offer exceptional promotion prospects for individuals who contribute substantially to the success of the organisation. Benefits will include a low cost mortgage, as well as non-contributory pension, life assurance and PHI.

Contact Peter Haynes or Jill Backhouse.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

FUND MANAGER – FAR EAST EQUITIES

The chance to obtain Fund Manager status in a professional but informal environment.

£25,000 pa-£30,000 pa + benefits

This is an opportunity for someone with at least two years' Far East Equities experience to take responsibility for all the Company's Far East Equities investments. You would report to the Head of International Equities Investments and you would have complete discretion for stock selection for about 30% of the Company's overseas investments and a say in determining the Company's overseas investment strategy.

The environment is flexible enough to allow exposure to other international areas in the future and you would thus have the perfect opportunity to acquire a total international Equities investment experience within the space of the next few years.

The climate in the Company is professional but informal and the Investment department is structured simply with short lines of communication. This enables team members to enjoy an unusual degree of freedom, accountability and job satisfaction.

Candidates are likely to be graduates in their mid to late twenties, who are now ready to take on a more responsible role in the management of Far East Equities investments. The Company offers an excellent salary and benefits package and good future career development prospects. To apply, please write in complete confidence to: **John Sears and Associates, Executive Recruitment Consultants, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB, or telephone 01-629 3532.**

John Sears and Associates
A MEMBER OF THE SMCL GROUP

CURRENCY TRADING MANAGER

Swiss Investment / Insurance Company with substantial funds under management intends to establish trading operations in London
Dealing in traded options in currencies, stock market indices and general commodities.
Experienced trading manager required 20+, able to build successful trading team.

TOP REMUNERATION
01-235 0674

Appointments Wanted

SENIOR INCORPORATED SURVEYOR & VALUER (FSVA)

A part-time non-executive directorship is now being sought with expanding organisation which could benefit from the extensive experience and contacts (incl. US-gained during a successful career having included directorships of two PLCs and covering all aspects of commercial property (development, retailing, industrial and General Practice). Legal, banking and professional references available.
Write Box A0554, Financial Times, 10 Cannon Street, London EC4P 4BY

MBA — London Business School, BSc.Econ, age 26, 1 year experience in international commerce seeks trainee position in
CAPITAL MARKETS DIVISION
of an investment bank.
Write Box A0581, Financial Times 10 Cannon Street, London EC4P 4BY

CHARTERHOUSE BANK LIMITED

PROPERTY FINANCE DEPARTMENT

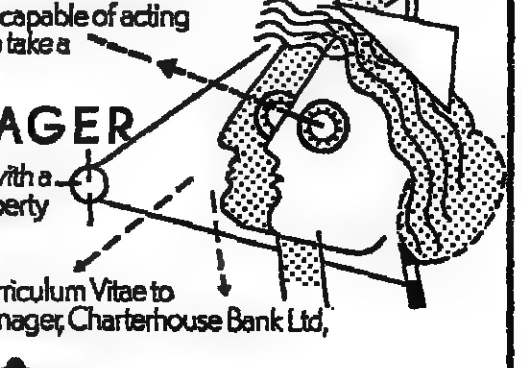
We are expanding in all areas of property and property-related business within a specialist unit headed by a director and are therefore seeking:

MANAGER

ATTRACTIVE SALARY + CAR + BANKING BENEFITS

You will be qualified in accountancy, surveying or banking with a minimum of four years' exposure to and experience of commercial property funding propositions, gained within a banking or institutional environment.

In an active department you will be capable of acting on your own responsibility and will also take a team role in larger transactions.



ASSISTANT MANAGER

We are also looking for a graduate with a minimum of 2 years' experience in property lending who is seeking to gain further experience.

In the first instance, please send Curriculum Vitae to Miss C A Parker, Assistant Personnel Manager, Charterhouse Bank Ltd, 1 Paternoster Row, St Paul's, London EC4M 7DH.

CHARTERHOUSE
A MEMBER OF THE ROYAL BANK OF SCOTLAND GROUP

STOCKBROKING

SMALL CITY BROKER HAS VACANCY FOR DEPUTY ADMINISTRATION MANAGER

The work involves all aspects of Stock Exchange clearing and settlement procedures, reconciliation and client statements. The firm is installing an integrated computer system and the person employed will have responsibility for its efficient functioning.

Knowledge of computers and computerised systems in a stockbroking environment is therefore essential.
Salary to £15,000 plus discretionary bonus and usual benefits.

Apply to the Managing Director Box A0553
Financial Times, 10 Cannon Street, London EC4P 4BY

FUTURES
& FINANCIAL LTD.

Our clients require Traders, Dealers and Support Staff with experience in U.K. and U.S. Financial Markets

Telephone
MR. CHRIS RAWLINS

01-439 1701

FOREX APPOINTMENTS

For Forex, Capital Markets and Treasury appointments consult a specialist agency

TRENCE STEPHENSON
Prince Rupert House
9-10 College Hill, London EC4R 1AS
Tel: 01-248 0263

Who's got a grip on Insurance?

The insurance industry has undergone a period of fundamental restructuring over the last decade: a current of change has swept aside old-fashioned ideas and strictly-defined areas of interest.

The tide has now turned towards deregulation and redefinition of financial services.

Our own strength in this market relies on our most important asset: a team of high calibre consultants who have sound technical insurance experience matched with flair and imagination in solving our clients' problems.

We are now actively recruiting a number of fully-qualified and highly ambitious professionals to join the team. The work we do with our insurance clients is constantly varied and highly demanding – which is why we're looking for people in the best possible intellectual shape to join us.

You'll be expected to take an active part in helping clients with decision support systems, management information, exploration of new market openings, strategy development and the effective deployment of resources.

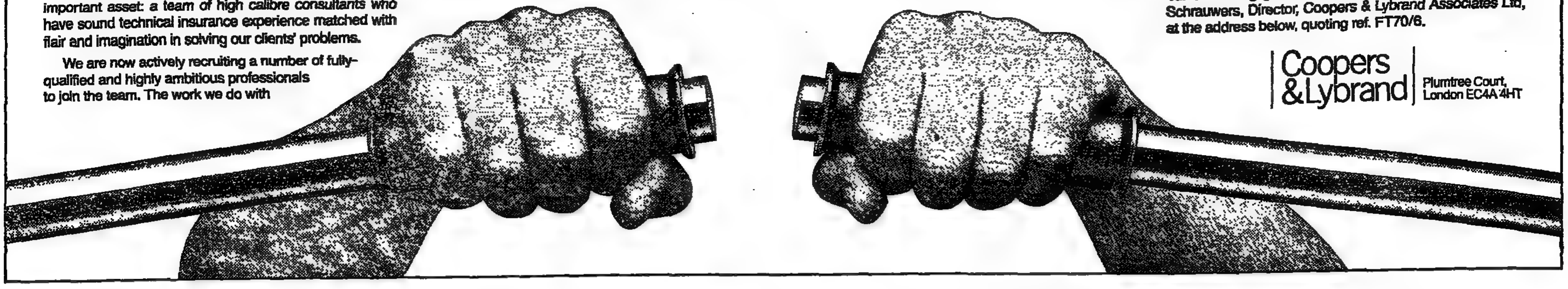
Your personal credibility must be outstanding – and your commitment to winning should match it.

You may be as young as twenty six – or in your late thirties. You'll certainly have experience in a major financial services organisation, and in depth expertise in insurance. A background in accountancy will be an advantage.

Just as important as your financial muscle, however, are your natural communication and motivation skills: you're not the sort of person who sinks under the pressure of delivering consistently excellent results.

Naturally, the rewards fit the brief. We can offer salaries of over £40,000 for senior applicants, together with a highly attractive package of benefits.

If you think you could make a positive contribution to our continuing growth, please send a brief C.V. to Cees Schrauwers, Director, Coopers & Lybrand Associates Ltd, at the address below, quoting ref. FT70/6.



Coopers & Lybrand | Plumtree Court, London EC4A 4HT

DIRECTOR FINANCE AND ADMINISTRATION

A newly-created business management role in a top quality Fund Management Company.

This is no ordinary finance and administrative role. *It offers the chance to play a crucial part in the business* management and profitable development of one of the Country's most successful and progressive global Fund Management organisations. Its performance record is enviable and it is well positioned for future growth.

Reporting to the Managing Director, you would be responsible for a wide range of activities, including compliance, accounting and budgetary control, systems development, office services and personnel. You would also oversee the management of the back office. The primary emphasis however will be on the development of financial systems and controls which will enable the Company to measure its performance in detail and respond accordingly.

Your duties will encompass the whole organisation and you must be able to achieve your objectives with sensitivity. You will need to be a first class administrator *with well developed interpersonal and* communications skills. You are likely to either have a Fund Management background with a strong administrative bias or be a qualified Accountant with broad administrative experience in a financial services environment, ideally a Fund Management Company. You will probably be in your mid-thirties.

The Company offers an outstanding compensation package, which includes profit share, Company car and full banking benefits.

If you would like to be considered for this appointment, please write in complete confidence to **John Sears and Associates, Executive Recruitment Consultants, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB or *telephone* 01-629 3532.**

John Sears and Associates — A MEMBER OF THE SMCL GROUP

BUSINESS SYSTEMS ANALYST

- *INTERNATIONAL BANKING GROUP*
- *SALARY c. £20K + BENEFITS*

Our client, one of the world's major banking groups, now wishes to strengthen its business *systems support team through the employment of* an experienced Business Systems Analyst.

The key responsibilities will be to analyse existing methods and procedures, to improve the efficiency of the business areas and to identify possible automated solutions to business problems.

The successful candidate will have at least 5 years experience in office systems automation, organisation and methods gained in a banking environment. The ability to operate effectively in a team along with highly developed communication skills is essential.

Interested candidates should contact Anne Gilbert on (01) 629 8070 weekdays or alternatively, send a detailed curriculum vitae, *quoting Ref. L235, to her* at Slade Consulting Group (UK) Ltd., Metro House, 58 St James Street, London SW1A 1LD.

All applications will be treated in strictest confidence.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

CORPORATE BANKING OPPORTUNITIES

High performance leads to high growth and, as such we have several career opportunities within our Corporate Banking group.

The positions involve responsibilities in the development, negotiation, management and administration of a broad spectrum of corporate accounts and will appeal to action-orientated teamplayers seeking significant opportunities for career progression and personal challenge.

Successful candidates will possess relevant experience in a corporate finance environment, preferably a lending institution, including experience in credit risk assessment and/or marketing a full range of financial services to corporate clientele. Your credentials should be complemented by a graduate business degree or a professional accounting designation. Micro-computer literacy will be a definite asset, together with fluency in a foreign language, such as French or German.

Competitive salaries and a comprehensive benefit package are offered.

Please write in the first instance with your full personal and career details to: Gillian Harris, Manager, Personnel, The Bank of Nova Scotia, 33 Finsbury Square, London EC2A 1BB.

Scotiabank

GPA FOKKER 100 LIMITED

VICE PRESIDENT COMMERCIAL

GPA Fokker 100 Limited, the joint venture company between GPA Group Limited, Mitsubishi and Fokker Aircraft BV, has ordered a large fleet of new Fokker 100 twinjet aircraft for leasing purposes and is now seeking a Senior Executive to lead the Marketing Department. The successful candidate should have experience in the aviation industry, good academic qualifications, numeracy and an ability to initiate and close international leasing transactions.

The appointment will carry an attractive remuneration package including performance linked incentives which will reflect the challenging work and the high level of commitment demanded.

The position will be Shannon-Ireland based but extensive worldwide travel will be required.

If you feel you have the necessary qualifications, personality and drive required, please reply in confidence enclosing a detailed curriculum vitae to:

Christopher Brown,
President,
GPA Fokker 100 Limited,
GPA House, Shannon, Co. Clare, Ireland.

Closing date for receipt of applications June 26, 1987

GPA

SPOT FX DEALER

Our client, a Merchant Bank, is seeking a spot foreign exchange dealer to complement the activities of its growing trading team.

Candidates, probably in their mid-twenties, will be working for a well established bank and have at least eighteen months spot dealing experience, some of which will have been gained trading one of the major currencies.

This is an excellent opportunity to become a member of a highly professional and successful trading team.

US GOVERNMENT SECURITIES SALESPERSON

On behalf of a major Securities House we wish to speak to highly experienced Salespeople seeking to join a small professional unit within a global operation.

Candidates must have a minimum of two years experience within an active US Government Securities sales team.

FINANCIAL FUTURES

Several clients currently expanding their desk and floor Financial Futures trading operations are seeking qualified traders with two years or more experience in all aspects of Futures and Options including Eurodollars, Short-sterling, Bonds and Gilts.

If you are able to meet the above criteria, please contact Anthony Isern or Trish Collins on 01-256 6833 or send full CV in strictest confidence to Reed City, 94 Old Broad Street, London EC2M 1JB.

REED ... *City*

c£25,000 p.a.

Pension Fund Secretary

London

SERVICE INDUSTRY

A qualified accountant, and ideally, PMI, FIA or FCIS. Probably aged 35 plus, male or female, with at least five years experience as secretary of a medium sized fund, or assistant in a large fund, resulting in the proven ability to deal with external investment advisers and actuaries. An outstanding career opportunity to administer one of the UK's largest pension funds. Duties include providing advice to Trustees and giving recommendations for their decisions; liaising with investment managers and monitoring their performance; making recommendations to Trustees on Investment Policy and on the appointment of advisers. Fringe benefits include, contributory pension, medical/life cover and relocation expenses.

Suitably qualified candidates please phone 01-600 4708 for an application form quoting GF 711 (24 hour service).

GREYFRIARS
EXECUTIVE RECRUITMENT

JOHN W G FORBES MANAGING DIRECTOR
104 NEWGATE STREET, LONDON EC1

CLOSE BROTHERS LIMITED

TREASURY MANAGER

City

We are seeking a manager to take sole charge of our expanding treasury operations. The successful candidate will assume specific responsibility for all day-to-day money market activities, and also be involved in the internal and external funding of the Close Brothers Group. Dealings are principally sterling based, but a knowledge of foreign exchange would be an advantage.

Applicants should have relevant sterling dealing experience, and welcome the opportunity to run their own department, reporting to a director.

An attractive remuneration package will be offered to the right candidate.

Please write in confidence, with full career details to:

**Stephen Hodges
Director
Close Brothers Limited
36 Great St Helen's
London EC3A 6AP**

Business Analysts

BNP p.l.c. is the UK subsidiary of one of the world's largest banks. Advanced computer techniques are being used in London to develop banking systems for the use of the Group worldwide.

The Bank wishes to appoint two business analysts to ensure that new systems are delivered on time, meet the requirements, and are welcomed by the users. Apart from sound experience in systems analysis you should have a good understanding of accounting and financial control, or of external systems (e.g. SWIFT, CHAPS, and cash management).

You should be a good communicator, self-motivated, determined to meet targets, and able to work independently or as part of a team.

Competitive salaries and the full range of benefits normally expected from a leading international bank are offered.

Please write with details of your experience to: Mrs. P. Keats, Head of Personnel Department.

Banque Nationale de Paris p.l.c.
P.O. Box 416,
8-13 King William Street, London EC4P 4HS.

BNP

SENIOR MANAGEMENT PROFESSIONAL

CUSTOMER SERVICES

We are leaders in the field of providing a specialist service to the Retail Consumer Credit Market, with particular emphasis on credit card trading.

Having recently established a new operation in Nottingham we are seeking an experienced professional, male or female, preferably aged 35-45, with the ability to lead, control and motivate a large team dedicated to the provision of an effective service to our customers, as well as the efficient collection of outstanding accounts.

Applicants must be self-strters, assertive and innovative with several years' experience at Management level, preferably within the Finance Industry. Above all, successful applicants will possess a strong commercial understanding, with a flair for identifying new ways of maintaining and improving our service to our customers.

As part of one of the largest Financial Organisations in the UK we offer a first-class salary package including executive ecar, senior management benefits and a generous relocation package where appropriate.

Please write to me, in confidence, with full personal, career and salary details, indicating how you feel you meet the requirements to the position:

Miss Caroline Browne-Cole
Head of Personnel
LOMBARD TRICITY FINANCE LIMITED
Lombard House
Baird Road, Enfield EN1 1TP
Tel: 01-443 3377

A Member of the National Westminster Bank Group

S.I.C.O. UK LIMITED

FINANCE DIRECTOR

Salary Negotiable

We are a successful, privately-owned group of companies operating in the UK and overseas in financial services.

We now seek to recruit a Financial Director who will report directly to the Managing Director and will be completely responsible for all finance functions in the UK and overseas. In addition to the normal financial responsibilities the successful applicant will be expected to input significantly to strategic business planning and the overall commercial management of the business.

Candidates must be aged 28-40, will be qualified accountants (ACCA, CIMA, ACA) who can demonstrate a track record of achievement in a fast-moving business environment coupled with well-developed, inter-personal skills to make a positive impact on this company.

CORPORATE FINANCE

Salary negotiable plus attractive package
Mergers and Acquisitions

This is an excellent opportunity for someone who is ambitious, independent and possesses a punchy personality, to move into the fast-expanding M&A department of an international investment house. We are interested in corporate financers with at least two years' relevant experience who have the initiative and marketing ability to make a significant contribution to their continued success.

Please write giving full career details, age and qualifications to:

Box A0548, Financial Times
10 Cannon Street, London EC4P 4BY

DIRECTOR AND GENERAL MANAGER

VIDEO/PRESENTATION
£32-£38K

A leading video production company with sales over £4m and an impressive record of growth and profitability, seeks a Director and General Manager. Recent developments in the company have meant that the Group Managing Director has had to undertake a wider Group role. It is therefore necessary to appoint a person to run the company—five divisions—on a day-to-day basis. Sales are buoyant but there is a continuing need for effective administration.

Candidates will have a knowledge of the television industry. They are likely to be qualified accountants or graduates with an impressive track record. Probably in their mid-thirties, they must be able to offer at least three years in general management where they have been clearly accountable.

Write Box A0547, Financial Times
10 Cannon Street, London EC4P 4BY

Financial Services plc

Cheshire

Our client holding company controls a group of companies in the financial, computer services and property sectors with activities in the U.K. and abroad. The company is rapidly expanding organically and by planned acquisitions.

A numerate and financially sophisticated lawyer is sought to complement the professional management team; to provide high level service in company/commercial legal elements. Commercial drive and ambition with two to six years relevant experience is necessary for this post as deputy company secretary, at an initial salary approaching £20,000 with car and benefits.

Speak to Andrew Lee or Suzanne Hall at Reuter Simkin on (0532) 446535 for further details or write to 143/145 The Headrow, Leeds LS1 5RL. Initial interviews to be held in London, Birmingham, Leeds and Manchester.

REUTER SIMKIN
RECRUITMENT

Executive Recruitment Consultant

Preferably with a Financial Services background

£ Excellent **Bristol Based**

MSL pioneered Executive Recruitment Consultancy more than 30 years ago, and now, as the principal recruitment consultancy within Saatchi & Saatchi PLC, we stand at the forefront of the industry we created in terms of size, technique and reputation. Our business has expanded rapidly in recent years and this new post results from our growth in the West Country.

The work of an MSL Consultant calls for mature skills in problem solving, combined with the ability to understand organisations, analyse jobs and assess people. Additionally, our successful consultants invariably display well developed commercial instincts and a flair for new business development.

In your 30's, or early 40's, with a good honours degree, or appropriate professional qualification, *you must be able to demonstrate a good record of success in senior* management, preferably, but not necessarily, in the financial services sector.

The reward package is among the best in our industry and includes good basic salary, substantial profit sharing (not commission), car and usual big company benefits.

Please write – in confidence – to David Dodd ref. DD/B/1.

MSL International (UK) Ltd, 50 Queen Square, Bristol BS1 4LW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

Senior Executives Corporate Finance

Dublin

ALLIED IRISH INVESTMENT BANK plc was established in 1967 and is the merchant banking subsidiary of Allied Irish Banks plc; assets are currently in excess of IR£1,500m. The Bank is currently going through a period of unprecedented growth, particularly internationally, and now wishes to recruit a further two senior executives for its corporate finance division.

Candidates should be graduates and/or professionally qualified with relevant and responsible experience gained in a merchant bank or comparable financial environment. Personal qualities of drive, initiative and imagination will be important. Age indicator 28/35, though pertinent candidates outside this range will certainly be considered.

The reward packages for each of these positions are fully appropriate and, given success, promotion prospects with AIIB domestically and internationally are excellent. Candidates with relevant experience who might be interested in careers in AIIB in other areas of financial services are invited to apply for such opportunities.

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EMIRATES BUSINESS

Andrew Baxter on the tools group's reaction to competition

Stanley acts to sharpen its focus

PEPPERPOTS HAVE become hot news at Stanley Works, the 144-year-old Connecticut-based company whose quality hand tools are cherished by DIY addicts and building professionals worldwide.

It was all an accident, the company freely admits. Following last year's acquisition of the French Peugeot group's hand tool business, Stanley, the world's largest maker of hand tools, finds it has become the world's leader in pepperpots.

It is a business that is not to be sniffed at, hints Mr Donald Davis, Stanley's chairman. However, in reality it is just a spicy by-product of a sweeping acquisition and restructuring programme designed to meet the challenge of Far Eastern competition and increase Stanley's international presence in its main businesses.

Stanley derives 40-45 per cent of its \$1.4bn of annual sales from the consumer DIY market, but also produces everything from garage-door systems to air compressors. In Europe, however, it is best-known for hand tools, such as measuring tapes and Stanley knives, which accounted for more than 60 per cent of Stanley's \$186m of European sales last year.

Mr Davis, who recently vacated the chief executive's seat to be replaced by Mr Richard Ayers, the chief *operating officer*, was in London last month to update investors on the company's progress in fending off foreign competition in the hand tools business.

This began to have a serious effect in the late 1970s and early 1980s, and Stanley's response has in many ways been typical of US companies caught in a similar position.

The company underwent a dramatic cost reduction programme in the early 1980s and at the same time moved to focus on its main businesses — the consumer DIY market, and building and industrial products. The company has termed the process "sharpening our strategic focus."

Capital spending and expansion was cut sharply as Stanley concentrated on addressing the combined effects of the US recession and the ever-rising quality of Taiwanese and other Far Eastern hand tools flooding into the US market. For Stanley, with its up-market quality image and a near 150-year tradition of US manufacturing, this presented special problems.

However, Mr Davis insists that Stanley recognised the challenge "early in the game," enabling it to embark since 1985 on a second phase of its programme, based on acquisitions.

Of the 12 acquisitions made since 1980, eight came last year and two this. All fitted into one or other of the company's main business areas—so definitions have to be stretched a litle to include the Peugeot pepperpots.

The largest, and potentially most significant, was the \$200m purchase from Textron of the Bostitch fastening tool business, which Mr Davis admitted Stanley had "coveted" for years. The renamed Stanley-Bostitch division, which takes in another smaller acquisition, produces everything from air-powered and fastening tools for professionals to staplers for home use.

Other US acquisitions last year were the \$78m purchase of privately-held National Hand Tool, and, in December, Halstead Enterprises, a nailing tool maker.

Overseas, the purchase of the Peugeot hand tools business in March has boosted Stanley's presence in France — Stanley tools were already being produced in Besancon — and in Third World countries with historical links to France.

While these acquisitions have helped Stanley increase its market share, another side of its battle with overseas competitors has been a move in the US into the service side of its main businesses — an area which Mr Davis sees as relatively immune to low-cost competition from overseas.

Stanley's Taylor Rental unit, acquired in 1983, is the largest US chain of general equipment rental providers, aiming at do-it-yourselfers and small builders. However, Stanley spent heavily last year to double the number of company-owned stores to 90, and the unit made a loss — although it is expected to break even this year.

In contrast, rising market penetration is underpinning another service business, MAC Tools, which supplies professional mechanics with tools through some 2,000 independent mobile distributors. Here Stanley is looking for geographical expansion in the face of the established national market leader, Snap-on Tools. Stanley bought MAC in 1980.

Mr Donald Davis (right) and Mr Richard Ayers

With the sale late last month of three steel-related businesses in the US and Canada, which were no longer deemed to fit with Stanley's main businesses, the company's change of focus is virtually complete, and Mr Davis says it will be "settling down" for a period to assimilate the purchases.

The challenge for Stanley is to maintain the momentum of its traditional hand tool businesses while squeezing more profits from its acquisitions than previous owners could manage.

In the past 20 years, the company's total return on investment in acquisitions has been slightly better than on existing businesses. Stanley's aim is to have market leadership in all its major business sectors, and it hopes to gain market share in its mature businesses.

Last year's performance was encouraging, with a 36 per cent rise in sales breaking down into 26 per cent from acquisitions and 10 per cent from volume growth and price rises elsewhere.

At the same time, currency movements are turning in Stanley's favour. In the US, Mr Davis said the company was "beginning to see an opportunity for modest price increases now that the dollar has weakened." The dollar's fall had also slowed down the pace of new Far Eastern entrants into the hand tools market, he said. These factors helped the company post a 50 per cent rise in first-quarter sales from continuing operations this year, to \$416.8m, with one third of the rise coming from Stanley's pre-1986 businesses.

On the other hand, while earnings from continuing operations rose 30 per cent to \$19.2m, net margins slipped from 5.3 per cent of sales to 4.6 per cent, reflecting higher borrowing costs after acquisitions.

In the long-term, growth in Stanley's DIY business will depend on its ability to "chase the middle-class" as it emerges in countries such as Mexico, Brazil, and also in the Far East.

Stanley's three Taiwan plants are part of its Far Eastern strategy rather than a source of exports to the US, where 75-80 per cent of manufacturing is carried out. The company already owns 15 per cent of MAX Company in Japan, the Far East market leader in nailers, staplers and fasteners.

Growth overseas, therefore, is aimed to be substantial in helping Stanley achieve ambitious targets for consistent earnings growth, given the relative maturity of its domestic business. The fast-improving foreign competition is established in spite of current exchange rate factors, but Stanley is pinning its hopes on its famous name, product development strategy and increasing worldwide presence, not to mention its Peugeot pepperpots.

Company Notices

Company Announcements

US INDUSTRY

Angela Dixon on reaction to the Emirates' largest debt case

Dubai outlives the Galadari affair

TWO YEARS AGO, the Dubai entrepreneurs, Mr Abdul Rahim Galadari and Mr Abdul Latif Galadari were faced with claims of 1bn dirham ($273m), the biggest such case in the Emirates. The brothers are still in business and, according to some accounts, stronger than ever. The affair is a comment not only on the business acumen of the Galadaris, but also on the current commercial environment in Dubai.

Several international banks were among those with an exposure to the Galadaris and, perhaps for this reason, they have attracted almost as much attention as the difficulties of Saudi magnates Mr Adnan Khashoggi and Mr Ghaith Pharaon. Yet bankers do not regard this exposure to be comparable with Saudi debt problems. "Saudi Arabia never pretended to provide a liberal, westernised environment for banking," said one. "But Dubai has always promoted this image. If you want to be open to the foreign banking community, you have to play by the rules."

The comment reflects the frustration felt by some creditors at the apparent slowness of the legal process in Dubai, which can at times seem to favour debtors.

In recent weeks Bankers Trust, the largest unsecured creditor, joined the ranks of those who decided to settle with the Galadaris. The settlement is the culmination of 13 months of hearings, during which 12 creditors settled out of court.

Only three lenders have yet to settle out of an original 19, but those remaining account for more than 70 per cent of the total involved.

The Galadari trading empire was founded by the brothers' father—a merchant of Iranian origin. It was based on gold and diversified into property, newspaper publishing, motor agencies, and food, engineering and construction. Today Galadari business interests stretch from London to Colombo and are ruled from an elegant office suite on Dubai's Creek.

From here can still be seen the gleaming exterior of the former Dubai Bank, until 1985, the banking arm of the Galadaris. In earlier days this building was nicknamed the Gold Building, because, feet from its door, could be seen gold bars being loaded on to the dhows.

Trouble surfaced in March 1985, when Dubai Bank became unable to meet its commitments. Rumours spread in Dubai that substantial government deposits were to be called and these rumours led to a run on the bank. The Dubai Government and the UAE Central Bank were obliged to step in, and the bank was effectively merged with Union Bank of the Middle East (UBME)—itself formerly owned by Mr Abdul Wahab Galadari, another brother.

Unusual ruling

The merged banks are now 80 per cent owned by the Dubai Government, and Dubai Bank is now the largest creditor of all. In February 1986, Dubai Bank's new management sued ARE Galadari Brothers (AREG), the trading group belonging to the brothers. Within days, it was followed into court by other banks, and it is currently awaiting judgment in Dubai.

*Citibank's claim on direct ex*posure of Dh 65.9m received judgment in March this year. The court substantially upheld the claim, and AREG has appealed.

In the case of a syndicate of nine banks judgment was given some weeks ago. This ruling struck observers as unusual insofar as it turned on an issue which had not been in dispute during the proceedings. Security on the loan rested on a mortgage on the Intercontinental Hotel and Plaza. The ruling stated that since the mortgage was not due for repayment until 1989, the claim was premature. The case was thrown out on these grounds and appeal has been lodged.

If the judgment is upheld, it will have wider implications than the current case. It would mean that any lender secured by a mortgage would be unable to take action against a borrower who fails to perform until the mortgage matures. Already banks are reacting. "As of now, we are not accepting mortgages as security," said one.

Although syndicate banks do not entirely rule out the possibility of an eventual settlement, they are adamant on one point: "Everybody is looking for 100 cents in the dollar," as one banker put it. This would contrast with settlements already reached which ranged between 30 and 40 per cent of the sum owed.

Of these, one creditor said: "The settlements were mostly made on smaller loans. The banks concerned were obviously prepared to write off a large proportion of those debts for their own reasons. But they (the Galaderis) have a tough job ahead of them."

AREG has coped well with the crisis. The brothers have successfully opposed any attempt by creditors to oversee the management of the companies in the group. The settlements agreed so far are a tribute to the negotiating skills of the brothers.

Galadari officials say that the businesses are now doing well and are profitable. The agency for Ford vehicles, recently removed from the Israeli boycott list, was a coup for the group. A number of unprofitable joint ventures have been sold, and all the companies in the group are now 100 per cent Galadari-owned.

Difficult course

"We are out of the problems," said an executive of AREG. "The Intercontinental Hotel and Plaza—income-wise, occupancy-wise, prestige-wise, they are the best in Dubai. The Plaza (a residential complex) has an occupancy rate of 80 to 90 per cent."

Some creditors doubt whether the Dubai assets would be sufficient to finance total debt repayments should an eventual court judgment rule in favour of all three remaining creditors. Banks would like to attach some overseas Galadari assets, which some creditors claim would be more than sufficient to cover the commitments of the group. This course has, however, proved difficult.

But in spite of the exasperation professed by some creditor banks, foreign banks are showing no signs of decreased enthusiasm to do business in Dubai. "We've been through this kind of thing before in other places," said one. "We're *prepared to sit it out.*"

Hoechst sees lower sales

BY OUR FINANCIAL STAFF

HOECHST, the West German chemical group, says parent company turnover fell in the first five months of 1987, with domestic business losing 7 per cent and exports dropping 8 per cent from the same period last year.

In volume terms, however, turnover somewhat improved, the company said. Domestic sales, by volume, were steady in the first five months and export volume rose by 2 per cent.

Parent company sales fell by 7 per cent to DM 3.4bn ($1.89bn) in the first quarter of 1987. Domestic sales lost 6.6 per cent and export business fell by 8.5 per cent. First-quarter group pre-tax profits rose to DM 686m from DM 649m.

Hoechst's aim this year is to make prices competitive internationally, but also to cover costs. The company has already taken measures to reduce costs internally. Hoechst expects to post another good profit in 1987.

Nixdorf plans US drive

BY OUR FINANCIAL STAFF

NIXDORF, the West German computer group, plans a sharp expansion of its activities in the US, according to deputy management board chairman, Mr Arno Bohn.

In the medium term Nixdorf wants to raise its US turnover to DM 1bn (US$549m) from a current DM 300m and aims to employ some 5,000 people in its US operations, compared with 1,300 now, he said.

Nixdorf's world group turnover was DM 4.50bn in 1986. Mr Bohn said a major order last year from Montgomery Ward, the US retailer, was a decisive element behind current plans for expansion.

By 1990 there should be a total of 15,000 cash terminals and 500 computer terminals in place in all of the 290 stores of Montgomery Ward. More important than the supply of the hardware for these systems, is the fact that Nixdorf is also providing the relevant software, Mr John said.

THE ARTS

Television/Christopher Dunkley

Long on quantity but short on quality

The great television expansion which we have been talking about for 10 years is finally beginning to happen. Britain now has a few cable channels; true they can only be received in a small number of areas by a tiny number of people, but they do exist. We have new channel providers who are putting their services on to satellite and cable systems, aiming for a European market.

Our established broadcasters are expanding at both ends of the schedule: BBC 1 has started a new daytime service, ITV is about to follow suit, Channel 4 has extended programming until 2.00 or 3.00 in the morning on Thursday, Friday and Saturday nights, Central TV has been giving the Midlands a late night service for the past month, and this week Thames began a late-night schedule for Londoners, Monday to Thursday. (Friday, Saturday and Sunday belong to London Weekend.) And does this new material consist, as the Cassandras always warned us, of rubbish? Mostly, yes.

Let us deal first with an exception. *After Dark* may well be cheap but is one of the most interesting innovations for years. It is C4's Friday talk show which starts at 12.30 and runs until 2.30 or 3.00 in the morning. There are 10 or 12 participants seated on a rectangle of sofas, with a different chairman each week (so far), some interventionist and firm, some not. Various sorts of drink are to hand and occasionally they are passed while the programme continues. Discussion does not stop for commercial breaks.

Two *factors* give the programme a special character: its length, which allows time for both personal reminiscence and discussion of *theory* or principle without that "I must stop you there" malarkey; and the camera arrangements with the participants set in a pool of light within a darkened studio, producing a peculiarly powerful sense of intimacy for late night—and, I suspect, mostly lone viewers.

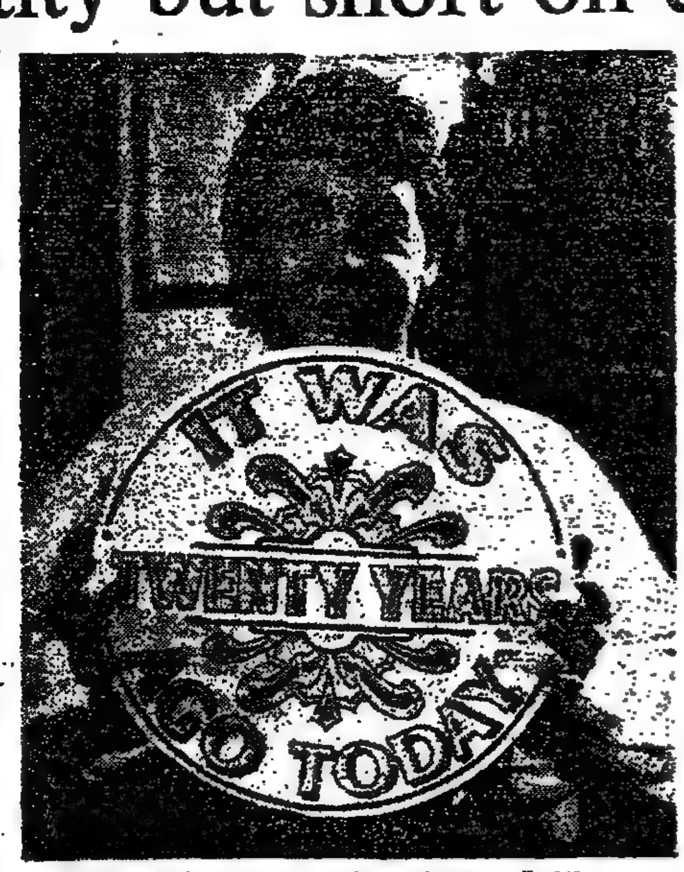
"Casting" is important, and the two most successful sessions that I have seen were the very first, devoted to official secrecy, and last *Friday's* about the Mafia. The combination of Home Office minister David Mellor, former Cosa Nostra "bagman" Bob Dick, former Scotland Yard intelligence officer Frank Pulley (who made particularly astute political and social comments), New York undercover policeman Douglas le Vien and several journalists who write about organised crime, proved highly productive.

After Dark bears out what has long been said: that ordinary discussion programmes have the time only to establish the participants' credentials before going off the air. This programme establishes credentials, moves on to discussion of the principles, and sometimes even manages some interesting conclusions. The points made in the final 15 minutes last Friday, about the differences between Britain and the US in attitudes towards wealth, and the way in which this might explain the puzzling (albeit pleasing) failure, so far, of organised crime in Britain were the most interesting of the entire discussion. Do not switch on for a "taste" telling yourself that you will go to bed at 1.00. You will *still* be *there at* 3.00.

But *After Dark* is the exception. Tomorrow night's late *offering on C4 is the 1981 movie Americana*, which has been shown on television before. On Monday, for its grand opening, *Thames's* night-time service offered Australian boxing, Spanish football, and a compilation of old races won by Lester Piggott, followed by a 1945 Betty Grable movie. Yesterday they provided an American country-and-western programme and a 10-year-old American TV-movie. Tonight they will screen two old movies: *The Green Berets* (described by ITV's then chief film buyer Leslie Halliwell in his *Film Guide* as "violent, exhausting and dull") and *Blood Of The Vampire* ("heavy handed, crudely made horror comic").

Nor would you find yourself with anything very bright, fresh or different even if you could hook on to a cable or catch satellite programmes out of the sky. "*Lifestyle*" is a British channel which was launched with great hopes of providing special programmes for women during the day-time. Here is its schedule for today:

09.00—*It Figures*: exercise with Charlene Prickett.
09.30—*Sally Jessy Raphael Show*: "My father sexually molested me."
10.00—*Spice Of Life*: travelogue.
10.30—*The Dr Ruth Good Sex Show*.



Paul McCartney in "Sgt Pepper: It Was Twenty Years Ago Today"

11.25—*Take Kerr*: cookery with the "Galloping Gourmet."
11.30—*Edge of Night*: 31-year-old American soap opera.
12.00—*Search For Tomorrow*: 36-year-old American soap opera.

Lifestyle closes down each day at 1.00. No doubt the channel finds *itself* locked into a vicious circle: with few subscribers it presumably has *little* money and can *only* afford to buy secondhand programmes off the American stockpile, but such programmes *will have trouble attracting new* subscribers, even in those areas which do have access to a cable. ITV and BBC do not *have that excuse with their day*-time and late-night services but then, to be fair, they are still originating many impressive *programmes for their evening* services.

Even when not strictly originating but re-cycling, they still create programmes that are more worthwhile than the overwhelming bulk of the material being used to fill the newly expanded sections of television. *Theatre Night*, for example, is a current BBC2 series which, although short (six plays) and somewhat motley (it ends with a repeat of the BBC's 1982 *Barretts Of Wimpole Street*), offers wonderful opportunities to see famous but infrequently performed works.

Sunday's production of *Strindberg's reputedly seminal Miss Julie* proved what I have long suspected: that the play is as dour and neurotic in the flesh as it is on the page . . . but how much better to find out via television that having to pay £20 for a pair of theatre *seats. And the previous week's* production of *What The Butler Saw*, wtih its splendid cast headed by Dinsdale Landen, Prunella Scales and Timothy West, proved that Joe Orton will last as long and possibly longer than Feydeau, not because *his stage* mechanics are similar but, on the contrary, because what really counts with Orton even more than with Feydeau is the sharp observation of humbug and hypocrisy.

Granada is heavily involved (like the Pearson group, owners of this newspaper) with BSB, which aims to start Britain's first television service broad*casting three channels direct* from satellite to home (DBS), perhaps by Christmas 1989. If it works, it will mean the largest single increase in *television* programming ever experienced in Britain. Here, at least, we can expect a real boost in new new *material*. BSB's "Screen" channel will show a rolling succession of new feature films in the evening and "family" programmes during the day; "Now" will carry news, current affairs, and sport; and "Galaxy" will consist entirely of entertainment (soaps, game shows, quizzes).

It may well be that the trendiest Christmas present in 1989 will be the 18-inch satellite dish and converter equipment needed to receive signals direct from the satellite. BSB's target price *is £199* and experience shows that the promise of new movies does persuade people to take up new television services.

Yet it is not at all clear that even a DBS service as ambitious as that will lead to the provision of more programmes (as *distinct* from movies) as good as Granada's *It Was 20 Years Ago Today* which was screened on Monday to mark the 20th *anniversary of the Beatles' "Sgt Pepper"* LP. Good or bad, this programme would have attracted a sizeable audience *simply because of the talismanic* power of the Sgt Pepper record to so many middle aged viewers.

In the end perhaps it was *not the very best programme* that could have been made on the subject, but it covered a vast range—not just music but the Vietnam war, drugs, the whole of the naive but glorious counter-culture which seemed for a while to be near to triumph—and did so in a way that was pure television.

Assuming that the satellite does get off the ground and DBS actually works, perhaps Granada and the rest of the BSB group really will start to make programmes as good as this for the new service. But so far all the evidence from cable, low-power satellite, and expanded daytime and night time services suggests that origination of high quality programmes will increase very little.

Bartholomew Fair/Open Air, Regent's Park

Michael Coveney

The Open Air Theatre in Regent's Park is under the new *artistic direction of Ian Talbot*. The summer season opens with a production by Peter Barnes of his own edition of Jonson's great *1614* comedy, first seen in more chaotic circumstances at the Round House nine years ago.

Mr Barnes, a devoted Jonsonian, has excised the induction and gone straight to the task of setting out a clear storyline. Within ten minutes we know that the proctor Littlewit wishes to encourage his wife to eat pig at the fair so he may present his puppet play there; that two wife-hunters, Quarlous and Winwife, are descending on Smithfield to try their luck; that country cousin from Harrow, Bartholomew Cokes, has a licence to *marry Justice Overdo's niece*; and that the Justice himself wishes to flush out the yearly enormities.

He *does* so by adopting disguise and mixing with cutpurses, gamesters and the seamy low life that gathers like a throbbing wen around the aromatic booth of Ursula the pig woman, whom the redoubtable Peggy Mount presents with more fat than fire as she goes watering the ground in knots "like a great garden pot." The collisions and collusions are managed with some clarity, Miss Mount stuck solemnly in her *wicker chair* and *erupting* vociferously at the slightest provocation. Her portrayal is sympathetic, underlining the Falstaffian *parallels*, more cunning than the bloated bombast.

The fair becomes a permanent symbol of the good life pursued in spite of puritanical licensees and born again moralists. There is no need therefore to underline its perennial appeal or (a word to use once a year) relevance. But the internal energy is such that the play operates under *its* own steam, officialdom finally reduced to glorious mayhem in the sight of an afflicted ex-officer, Trouble-All (Christopher Ryan), who seeks a warrant of everyone he meets regardless of activity. Winking and slinking around the fairground, little Mr Ryan is a source of much second-half hilarity.

Much as I enjoyed Peter Bayliss's Frankie Howerd act (repeated from that Round House occasion) as the investigative Justice, he does allow the pace to sag almost fatally in the latter stages and wrongly transforms his misguided mission to save the cutpurse Edgworth into a covert sexual passion. But the voice fills the theatre magnificently, as does that of Christopher Biggins as the increasingly dejected and forlorn Cokes. Albie Woodington is a roaring Knockem, though I miss the raucous relish Ken Campbell once brought to the role, *Tom Mannion and Diana Fairfax* excellent as the Littlewits. A notably strong assembly also includes Lynn Farleigh as Overdo's wife turned whore and Barry Stanton as the New Reform Zealot Busy, shouting down the puppetry with a torch and loud hailer.

Three timber fairground booths dominate the setting by *Patrick Robertson* and Rosemary Vercoe, and there is fine music for Haydn Jenkins' well-voiced balladeer. The puppet show needs *much firmer handling* by director Barnes, though editor Barnes has made a good job of condensing the a c a d e m i c Thameside *romance of Hero* and Leander. Too much of the vapours game has gone for my taste, but the streamlining is elsewhere *judicious and sensitive*.

The show is not as yet sufficiently polished to be sponsored, as it is, by Johnson's Wax. Wasp, for all his "turds i' the teeth," is too benign. Fireworks at the end, though, of a fine evening. I trust they have a warrant for it, and for the rest of the summer.

Alastair Muir

Peggy Mount supported by Albie Woodington

The Soldier's Tale/Naples, Teatro Mercadante

William Weaver

According to the great Neapolitan *philosopher and* historian Benedetto Croce, the Teatro Mercadante was born under an unfortunate star. Originally called the *Teatro del* Fondo, it was constructed thanks to a "fund" derived from the expropriation of *Jesuit property in 1777 and, to* build the theatre, a charitable hospice had to be torn down. Still, it opened successfuly in 1779 with a *specially composed* opera by Cimarosa; and during its up AND down history it presented countless other premieres, *of* which the most famous was Rossini's *Otello* in 1816.

A few years later, the theatre was closed; then it reopened in 1847 with the actress Adelaide Ristori as Medea (in the drama by Legouvé). In the course of the years the house underwent a number of transformations; its name was changed several times; and seasons of success alternated with dark periods. In 1964, the increasing unreliability of the structure prompted another closing: and for almost a quarter-century the little building has remained there, shabby and crumbling, on the long green square between the Naples city hall and the port.

Acquired by the city in 1977, the Mercadante has finally been restored; and for the present its management has been turned over to the Teatro San Carlo, which—for the celebration of its 250th anniversary next year—has planned a whole series of events for the now sparkling little hall (it has a seating capacity of 750 and can accommodate an orchestra of about 35 musicians).

In May, even before restoration was complete, the house was reopened. There are still no seats in the stalls, so the brilliant producer Roberto De Simone put temporary seats on the stage and devised his production of Stravinsky's *The Soldier's Tale* to be seen from there and from the boxes. It was a carefully studied presentation (beginning with a new, witty translation by De Simone himself) with a first-rate cast, headed by the inventive mimes, Giovanni Mauriello as the soldier and Marcello Bartoli as the devil; for the Princess the producer called on the gifted tenor Giuseppe De Vittorio, who also proved a more than adequate dancer and a sly, straight-faced mime. A trio of singers—Fausta Vetere, Adria Mortari, and Patrizia Spinosi—sang the "couplets" with leering seductiveness, in Fascist uniforms (like a wicked version of the Andrews sisters).

This production was offered as part of the "Settimane musicali internazionali," a Naples spring festival, which in the past few years has developed from a *smaller, earlier festival* of "musica d'insieme," chamber music. Its artistic director is the violinist Salvatore Accardo, who also played with and conducted the little ensemble for *Histoire*. It was a distinguished group, including the virtuoso double bass player Franco Petracchi; and they all played with memorable verve. De Simone's frequent collaborators Nicola Rubertelli and Odette Nicoletti designed, respectively, sets (minimal but evocative) and costumes (fanciful but appropriate).

★

A few *days* after the reopening the Teatro Mercadante again welcomed a *festive capacity* audience for a *Gala Viennese*, and evening of Léhar and the Strausses and of Schönberg, *Berg, and* Webern as Strauss-arrangers, with Accardo conducting the English Chamber Orchestra.

Julian Jacobson/Elizabeth Hall

David Murray

On Monday, Mr Jacobson began *his* recital *with* the first British performance of György Ligeti's piano *Etudes* book 1—but I should describe his *Debussy Préludes first. The com*plete book 2 of those filled the second half of the programme, and very disheartening it was. One trusts Jacobson absolutely to do nothing musically ill-considered or thoughtless, but honest virtue sometimes isn't enough.

Compared with Debussy's first dozen Preludes, the second dozen tend to be "elusive," as they say (read: a lot of executive imagination is needed to bring some of them off, and two or three are anyway suspected to be duds). But they are also well along the way to Debussy's late Etudes, exploiting the piano's glorious capacity for multi-levelled sonorities beyond anything in Book 1; and Jacobson's sound was steadily opaque, undifferentiated, stolid.

Very well: not every good pianist is a good Debussy pianist. The point of this lament, however, is to explain why I have no confident opinion about Ligeti's *Etudes*. Jacobson made decent, broad effects with most of the six studies — a heavy-duty express-train samba in the initial "Désordre," which indicated *plainly enough* Ligeti's *admitted* inspiration from Conlon Nancarrow, and a matching thrust in the final "Automne à Varsovie"; but there was little trace of Ligeti's customary fierce articulacy.

The composer has, after all, pursued his own kind of wittily cracked polyphony, these many years, in *ensemble* music to the virtual exclusion of solo stuff. Nobody has a more refined ear for juxtaposing sounds. Perhaps he has imagined too much for the practical range of a solo keyboard, or contrariwise too cautiously little. In any case, the *Etudes* sounded uncharacteristically bland and thick: we missed the kick of incisive punctuation, and the unique Ligeti trick of displaying all the machinery *and* conjuring up nevertheless new, unforeseeable musical effects. I won't hazard a verdict before hearing what the Etudes may sound like under the hands of pianists who can do justice to Debussy.

Releevo/Soho Poly

Martin Hoyle

The tiny basement theatre between Great Portland Street and Cleveland Street is presenting the winner of the 1986 Verity Bargate Award, soon to be published by Methuen. The author, David Spencer, is 29 and Yorkshire-born. His writing is direct, concerned and without frills.

This observation of the marriage between Steven — easy-going, *impractical* and weak—and tense, anxious Julie, makes for a harrowing evening: the dramatisation of an inner-page news item in one of the tabloids, beautifully acted.

We meet Julie at breaking point. When her amiable husband lurches drunkenly home she feeds him, adding a pile of *pills to his stew*. She rails as he falls into a drunken stupor. Next day she talks ceaselessly as she removes his untouched breakfast. "Mebbe we could go for a walk . . . if you brighten up." By the evening, after *Coronation Street*, she marvels at the supine form, still slumped silently in the armchair: "You sat through t'*Street* without a word! The chanting of the children's street games outside deafen her. "Releevo!" is a cry of both capture and release. Julie will end the play with this yell of surrender and triumph as the outside world smashes its way into the fetid living-room where she guards the dead Steven: "I just needed a rest. I thought he'd just sleep."

The bulk of the play is in flashback. We see Steven throw up his job for his own car-repair business. Money worries lead to drink. She becomes pregnant; they *row*; she loses the baby. Her return from hospital on the verge of a crack-up brings the *action full* circle.

The characters are not without paradox. Steven is the ambitious one but is cheerfully *lackadaisical*. *Julie is the* worrier, earnest, not good at getting jokes, yet only concerned with being "happy" (a *recurrent phrase*) and *fiercely* devoted to her little home. The mood could do with variations, and we get little indication of *why they married in the first* place; but this is a powerful, austere and compassionate piece.

Amanda *Fisk's* detailed set—*living-room and kitchen — takes* as much space as the little theatre's seating area. Sue Dunderdale's direction evokes fine playing. Jeff Rawle, so reticent and rueful as the hero's student boy-friend in the last West End revival of *Butley*, staggers on unrecognisably as Steven, flopping in alcoholic affability, thoughtless or puzzled. Richard Albrecht, briefly glimpsed as a drinking mate lugubriously noting the news (it is 1974: Elvis songs punctuate the action), gives a lovely study of stolid embarrassment.

Mary Jo Randle is a tower of strength. Almost always on stage, she is both chilling and touching in the frowning concentration of near madness, as when, in the sexy underwear her husband brought her from London, she tries to rouse his corpse, or trudges round the room with the terrible intentness of one who can grasp only one thing at a time without seeing beyond it or fully understanding it.

Dr Jonathan's return

Antony Thorncroft

After 10 years in the theatrical wilderness Jonathan Miller is bouncing back with a vengeance. He has taken over as artistic director at the Old Vic and in his first season, starting next January, he will be personally in charge of five of the seven productions.

His reign opens on January 15 with Racine's *Andromache*, translated by Craig Raine. His other productions are a revival of N. F. Simpson's *One Way Pendulum*, the inspiration of much of the humour in *Beyond the Fringe*; Shakespeare's *The Tempest*; the resurrection of a Jacobean tragedy, *Bussy D'Ambois*, by George Chapman; and a co-production with Scottish Opera of Bernstein's satirical musical, *Candide*.

Since his celebrated row with Peter Hall, director of the National Theatre, Jonathan Miller has been noticeably absent from the credit lists of the classical theatre in the UK (although he has finally been asked by the RSC to direct *The Taming of the Shrew* this season). But he has been chosen by Ed and David Mirvish to re-establish the Old Vic as the home of serious repertory theatre in London.

The other two productions in the first season are *The Tutor* by Lenz, adapted by Bertolt Brecht, and directed by the celebrated German artist Angelika Hurwicz, and a Russian play, Ostrovsky's *Too Clever by Half*, which we will be directed by Richard Jones.

The Old Vic season will have some distinctive features. None of the productions will look for transfers to the West End: this will help to create a sense of purpose at the Old Vic. There will be *no permanent company*, which can lead to casting below *par. There will be a constant* emphasis on foreign works.

One or two of the Old Vic productions may appear at the Mirvish's other theatre, the Royal Alexandra in Toronto, but the Canadian owners will be happy if they break even on the venture (at the best make a small profit) while bringing serious classical theatre to London. The plays, which will each run for between four and eight weeks, have been collectively budgeted at £2.5m and if 60 per cent of the house is sold, the season will break even. Subscriptions feature largely in the marketing plan, offering up to a 55 per cent discount on regular seat prices.

Jonathan Miller is keen to bring opera back to the Old Vic—hence the link up with Scottish Opera—and would like to work with Kent Opera in future seasons. He is also interested in encouraging narra*tive theatre in the UK*. He described the venture as "lighting a beacon. We can escape from the ruthless demands of the purely commercial theatre."

Royal gala to aid Royal Academy of Dancing

There will be a royal gala at the London Coliseum on July 13 in the presence of Princess Margaret in aid of the Royal Academy of Dancing.

The programme will include the world premiere of Kevin Haigen's *A Winged*, Sir Frederick Ashton's *Apparitions*, Maurice Bejart's *Bolero* and Natalia Makarova's staging of *La Bayadere*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 29–June 4

Theatre

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Sons (John Golden): Richard *Kiley has the gratifying part of* Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from *the Long Wharf Theatre*. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music *is* visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

WASHINGTON

Opera Comique (Eisenhower): Anne Jackson and Eli Wallach star in Nagle Jackson's new comedy. Ends June 6. Kennedy Center (254 3670).

NETHERLANDS

Amsterdam, Stadsschouwburg. The American National Theatre in Ajax, a contemporary adaptation of Sophocles by Robert Auletta, directed by Peter Sellars (Tue to Thur). (24 23 11).

Rotterdam, Doelen. Poets from all over the world gather for the annual Poetry International Festival. All week from Mon.

LONDON

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Woman in Mind (Vaudeville): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's bleakly ingenious comedy about a housewife fantasising the ideal family on the back lawn. (836 9987/5645).

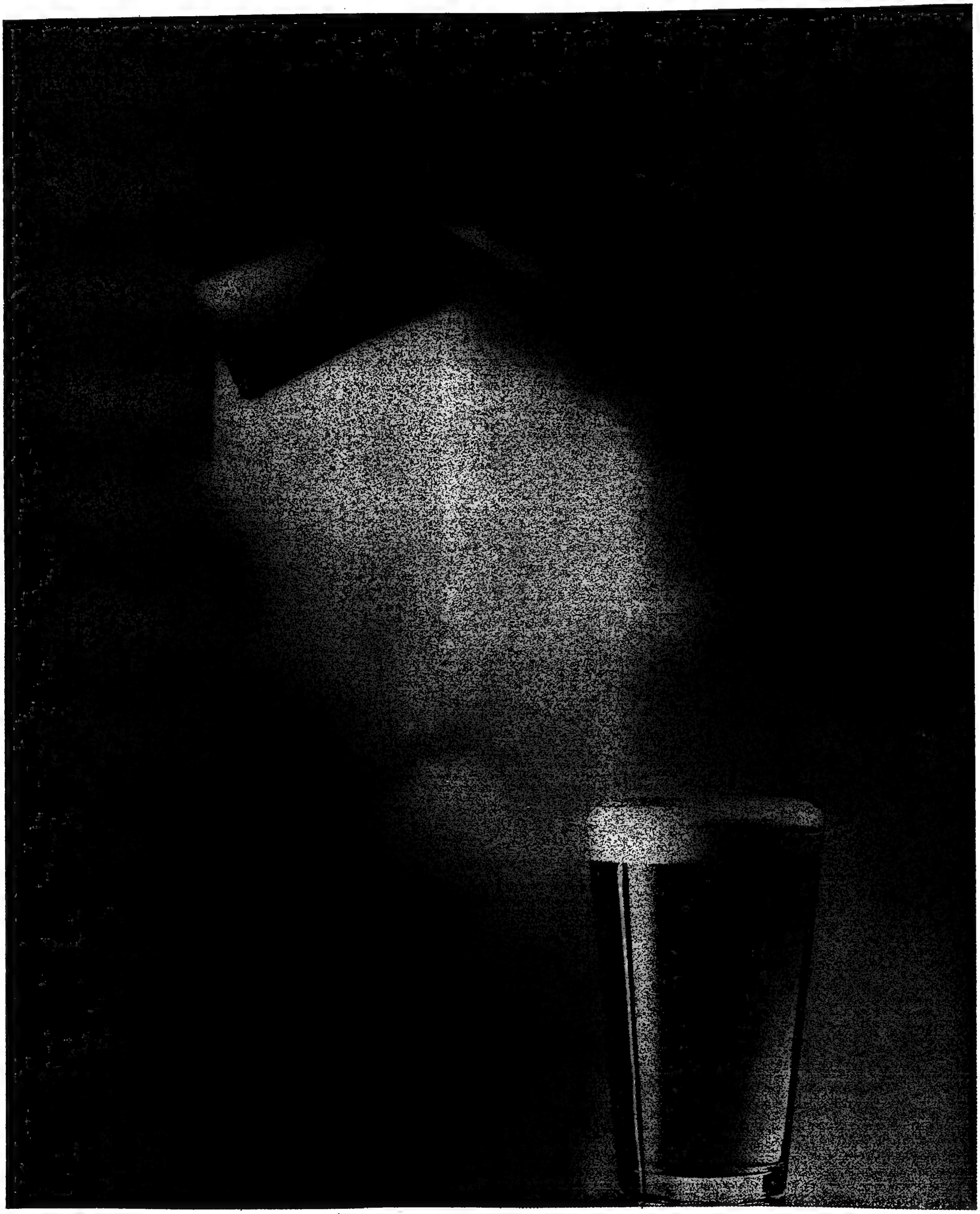
High Society (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncowed by Grace Kelly as the ice maiden who melts (834 1317/838 4735).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in *A View from the Bridge*; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, *meritorious* and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew *Lloyd* Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. *Disneyland*, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).



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Wednesday June 3 1987

A change of pragmatists

DID HE go, or was he pushed? The markets, which have become deeply attached to what is inevitably known as the towering figure of Mr Paul Volcker, will no doubt maintain their suspicions; but the evidence does seem to confirm what the Administration says in public. After much wobbling, they had decided to offer Mr Volcker his much-discussed third term at the Fed; but no sooner had the market been reassured by the usual well-informed rumours than he made his own views known. Eight years in what has been the most demanding job in modern central banking history was enough.

While no retirement can have been better earned, Mr Volcker had some quite persuasive reasons to go. The long indecision in the White House hardly suggested the kind of support he had every right to expect. In the banking community, too, he has been meeting with a grudging response: the money-centre banks resented his blocking minority against further deregulation, while he himself must have been saddened by the wholly inadequate response to the Baker plan for constructive lending to the third world debtors — which might more accurately have been called the Volcker plan.

Finally, he may well have felt free to go once he knew the name of his successor. Mr Alan Greenspan's name does not seem to have made very much impression until now with the international dealing community —which speaks badly of their intelligence service; but he is in fact very much of a bankers' economist, a senior bank director and confidant of such international figures as Mr Karl-Otto Poehl of the Bundesbank.

Mr Grenspan will have every opportunity to present his intellectual credentials during the Congressional confirmation hearings which must take place before his appointment is effective; but his basic positions are already well known. He is an old-fashioned small-c conservative in his approach to monetary and indeed fiscal policy—a pragmatist about nominal targets, but more *doctrinaire in his* opposition to deficits and to inflation.

In these respects he will be very like his predecessor. Indeed, he may well have rather *more influence on* the Administration than Mr Volcker achieved, since he is the President's own selection, and has no doubt insisted on his own terms of access to the White House.

There may be a marked change, on the other hand, in the Fed's attitude to deregulation. Mr Volcker, with a central banker's concern about prudential risk, has been very reluctant to allow the money-centre banks any access to the exposures of the investment banking world.

Mr Grenspan, by contrast, *believes intellectually in freer* competition, and has had these views strengthened by direct banking experience. It remains to be seen, though, how quickly he will wish to move once he is exposed to the growing preoccupation of the close community of Western central bankers with risk limitation.

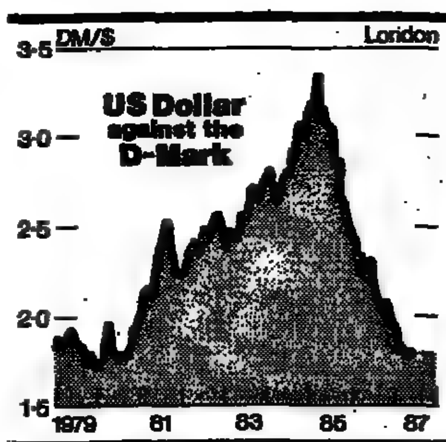
Wall Street, where Mr Greenspan's prestige is established, and where his often severe *views are well known,* seems to have taken the news of the change in its stride; the currency markets, on the *other* hand, were initially rattled—recalling, perhaps, that Mr Greenspan has been on record *with some justifiably bearish* forecasts for the dollar.

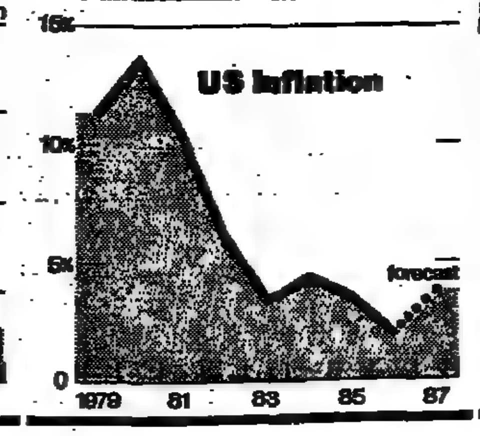
A smooth transition would be a graceful parting tribute to a man who has steered the system through disinflation, debt crises and dollar devaluation with consistent skill. He will have his persistent critics —mainly, ironically, among the neo-conservatives.

A monetarist when he was trying to check the Carter inflation, he turned pragmatist when he was *faced* with the doctrinaires of the first Reagan Administration; some of them may still believe that there was some monetary alchemy available to secure disinflation without pain, and finance unlimited deficits without grumbling.

The general verdict, though, will be the inevitable one—he was a giant among central bankers. He leaves one disturbing question unanswered as he goes: *has money something* to do with his decision? His successor is rich, but Volcker has been a central banker for a large part of his career, and American central bankers are scandalously underpaid.

The most appropriate farewell tribute a grateful nation could offer would be to put this right. The management of the world's key currency is too important to be left entirely to *the chance of finding sufficiently* selfless career men, or sufficiently expert, rich outsiders.





The Volcker years

- 1979 President Carter names Volcker to replace Bill Miller as Fed chairman with inflation in double digits; "Saturday Night Special" drives up interest rates and marks radical shift in Fed conduct of monetary policy
- 1982 Worst US recession since the 1930s; Mexican debt crisis
- 1983 Reappointed by Reagan after much debate
- 1984 Plays leading role in rescue of Continental Illinois
- 1985 Plaza agreement on dollar devaluation
- 1986 Outvoted on discount rate cut by Fed board, decision reversed later the same day

A risky moment to change your banker

Stewart Fleming, US editor, examines the logic of a reshuffle at the Fed

"A RIVERBOAT gamble" was how one former top US Treasury official yesterday described the announcement that President Ronald Reagan had decided not to re-appoint the 59-year-old Mr Paul Volcker to a third term as chairman of the Federal Reserve Board, the US central bank.

It was a judgement with which the financial markets clearly concurred and one which cannot have been far from the minds of Mr Volcker's successor, Dr Alan Greenspan, Mr Volcker and Mr James Baker the US Treasury Secretary, as they filed into the White House press room with the President at 10.00 am yesterday. The world's financial markets, they knew, were holding their breath.

Wall Street economists and Washington policy makers were at pains yesterday to stress that their anxieties were not related so much to the man President Reagan had decided to appoint, but rather to the difficult task he faces in following Mr Volcker.

With the US running unprecedented trade and fiscal deficits, the country is more dependent than at any time since it became an industrial power, on the financial resources of its trading partners, in particular Japan, to keep its economy from slipping into recession.

In recognition of this, under the leadership of Mr Baker, but with Mr Volcker in the wings as his partner, Washington is in the middle of a delicate diplomatic manoeuvre aimed at improving economic policy co-ordination amongst the industrial countries.

Dr Greenspan, it is agreed, is the best possible alternative to Mr Volcker. An experienced Washington hand, the 61-year-old economist is seen by his peers as a pragmatist. He served as chairman of the council of economic advisers under the Republican President Gerald Ford. (Mr James Baker was President Ford's campaign manager in his failed bid for presidency in 1976).

That said, Dr Greenspan cannot match the qualifications Mr Volcker brought to the job in August 1979.

Mr Volcker's experience was formidable. As Under Secre*tary of the Treasury for monetary* affairs at the beginning of the 1970s, first under Mr John Connally, then Mr George Shultz, now Secretary of State, Mr Volcker helped to navigate the breakdown of the Bretton Woods world monetary system, the devaluation of the dollar and the shift to floating exchange rates.

He moved on to the presidency of the New York Fed, the central bank branch responsible for watching over the New York financial markets When the call came for him to take over as chairman of the Fed, Mr Volcker wasted little time in acting vigorously to subdue inflation, which had openly troubled him since 1976 when, at 5 per cent, the annual rate of price increases was comparable to today's level. In 1980 and 1981 his Draconian monetary policy drove the prime lending rate at US banks to over 20 per cent.

The battle against inflation, however, earned him the enmity of many of the Republicans who came *into office with* Mr Reagan, particularly the supply siders and monetarists who faulted him ideologically and resented his caution. Democrats, to, have argued that he deepened the 1981-82 recession unnecessarily.

In spite of this, he was reappointed by President Reagan in 1983 when he, with the support of the International Monetary Fund and later the Treasury, were in the midst of their successful efforts to prevent the third world debt crisis from spilling over into the industrial world's financial markets.

Hardly anybody who knows Mr Volcker well doubts that so committed a public servant would have accepted a presidential request to serve a third term, even though he has a sick wife and considerable family resistance to his remaining in office.

President Reagan yesterday offered no clear explanation for his *failure* to take advantage of Mr Volcker's sense of duty *at a time when the dollar is* as vulnerable to swings of confidence as it was when Mr Volcker took office in 1979.

Mr Reagan implied the decision was the Fed chairman's. "Mr Volcker," the President said, "has advised me of his decision not to accept a third term as a member and chairman of the Federal Reserve Board. I accepted (his) decision with great reluctance and regret."

But neither he or Mr Baker provided any explanation for the change and Mr Volcker's comments were sufficiently equivocal to fuel the speculation which will inevitably ensue about the background to the change.

After first paying tribute to Dr Greenspan's abilities and indicating that he believes the *future of the Fed as an institution* is in good hands, Mr Volcker said he had "no feeling I was being pushed" out of the job. His decision not to stay, he said, was made "taking account of a lot of things, including purely personal considerations, and others."

Asked whether there were any policy reasons for his departure, Mr Volcker twice stressed that he was not aware *of "any issue of monetary* policy at the moment," a comment which stirred up speculation that perhaps the President's position on the budget deficit and against a tax increase, ennunciated forcefully last month, may have played a role in the decision.

It is widely assumed that Mr Volcker, in some way, have made clear to Reagan administration officials the terms on which he was prepared to accept re-appointment. Some who know him well suggest that he wanted a clear statement of support for his policies at the Fed.

As a political appointee, one of Dr Grenspan's first jobs will be to demonstrate his determination to defend the independence of the Fed and to conduct an independent *monetary policy. He began this task* yesterday by stressing that one of his jobs is "to be certain that those very hard-won gains (against inflation) are not lost."

But the financial markets sense that with inflation accelerating to a 6 per cent annual rate in the first quarter, that economy vulnerable to recession and anxieties over the motives for not re-appointing Mr Volcker, the new Fed chairman could face some painful choices.

Republicans on Capitol Hill may comfort themselves with the thought that they now have at the Fed a man who may be more tolerant of inflation in *the interests of sustaining* economic growth as election year approaches. Others must be worried that the White House's decision, backed by Treasury Secretary Baker, is a gamble which could yet prove both economically perilous and politically expensive.

Dr Greenspan (in foreground) and Mr Volcker at yesterday's announcement

The nearest thing to a safe choice

AMIDST THE doubts and fears — approaching panic level in the foreign exchange and bond markets yesterday —a few things can be said with certainty about the appointment of Dr Alan Greenspan as chairman of the Federal Reserve Board.

First, if Mr Paul Volcker ever had to go, Mr Greenspan is as well qualified as anybody in the world to succeed him. He is an expert economic forecaster, an experienced poltician and a sturdy monetary conservative. His stint in Washington in the 1970s, when he was chief economic adviser to President Gerald Ford, may not have been the finest hour of monetary and fiscal prudence. But even at the time, Dr Greenspan was noted as a voice calling for caution and restraint.

Second, Dr Greenspan is as well known and respected in the financial community as any economst can be. Wall Street investment institutions figure prominently on the client list of Towneson Greenspan, the economic forecasting and consultancy service which he set up in 1953

Dr Greenspan has invariably come at or near the top of the popularity poll which Drexel Burnham Lambert regularly conducts among investment institutions to canvass Wall Street's opinion on the Fed succession.

The last certainty about Dr Greenspan is that he was as eager to take over Mr Volcker's mantle as anybody could be. As far back as 1983, when questions were first raised about the Fed succession, Dr Greenspan did nothing to discourage speculation that he was the obvious alternative — although he could scarcely be described as an alternative, unstinting support for Volcker policies. More recently, Dr Greenspan is said to have discussed with Mr Volcker personally the possibility of succeeding him. It is more than likely that the incumbent endorsed Mr Greenspan to the White House.

Dr Greenspan has one obvious reason for wanting to take over from Mr Volcker: he is an avowedly political thinker with more than a little interest in influence and power. Indeed, despite his austere image and his dry manner of self-expression. Dr Greenspan, an only child who who never married, is a noted member of New York high society and numbers among his closest friends such glamorous ersonalities as Ms Barbara Walters, the celebrated news broadcaster.

His professional pre-occupations may have focused on the nittye gritty of industrial forecasting, ever since he graduated as an economist from New York University and started his career at the *Conference Board* as an analyst of steel inventories. But he has always had a broader and more colourful political and philosophical bent. Among his strongest intellectual influences he points not only to the standard prophets of conservative economics like Milton Friedman, but to right-wing novelist and "objectivist" philosopher Ayn Rand

Indeed, it is this very contrast between Dr Greenspan's widely known and respected econometric work and his less certain political commitments that makes it hard to gauge the consequences of hsi appointment. As an economist Dr Greenspan should inspire as much confidence as *Mr Volcker—he is* conservative but pragmatic, respectful of monetarism but not imbued by it, committed to free markets yet familiar with their imperfections, in favour of deregulation but cognisant of its quirks and dangers.

But in the next few years it will be Dr Greenspan's political skills, not his economic qualifications, that will be most severely tested. Will he be able to browbeat his colleagues in the central banks of Europe and Japan as successfully as Mr Volcker? Will he be as effective in parrying the pressures from Congress? And what, most importantly, will happen if an economic downturn in the election year ahead should force him to choose between his lifelong support for the Republican party and his austerely anti-inflationary economic convictions?

Anatole Kaletsky

Privatisation's next phase

PRIVATISATION WAS undoubtedly a great political success during the second Thatcher administration. But it was less of an economic success than it might have been because of the Government's tendency to rush its fences. Ministers failed to think through the best ways of privatising big state monopolies. The result, too often, was a short term boost for share ownership and the Exchequer, but little improvement in the competitive structure of the industries concerned.

If yesterday's Tory Party press conference is any guide, privatisation in a third third Thatcher term would be just as badly implemented. Leading Tory politicians appeared to fall into the classic election campaign trap of making rash pledges that unduly circumscribe future policy. Thus Mr Norman Tebbit, the party chairman, declared that British Steel was not seen as an "*early candidate*" *for sale*, while Mr Peter Walker, the Energy Secretary, warned that it would probably not be possible to privatise British Coal unless the Tories gained a fourth term.

Yet coal and steel are precisely the sort of industries for which no choherent economic case for public ownership can be made. Both face intense competition on world markets and would *rank* near the top of any economist's list of state concerns ripe for privatisation. Yesterday, however, Mr Lawson confirmed that the Tories were more anxious to privatise three quite sensitive public utilities: the plan is to sell the British Airports Authority first, followed by the water authorities and the electricity industry.

The sale of British Coal is being funked not just because Conservative politicians are still wary of the National Union of Mineworkers, but because the return to profitability has been so slow. Similar considerations apply in the case of British Steel.

However, the fact that airports, water and electricity can be groomed for a successful flotation does not imply that a third Thatcher government should rush ahead with their privatisation. The British Airports Authority is the least controversial of the three candidates but even here the logic of denationalisation has never been made clear. The state would be selling an organisation that gains much of its revenue by virtue of a tax anomaly—the duty free concession—and that has significant responsibilities as a regulator of private agents.

Water and electricity present more formidable difficulties. These are partly environmental: many people would feel unhappy about the private ownership of nuclear power stations and fear that river basin management would inevitably deteriorate if the water industry were sold off. But there are also structural problems, particularly for electricity, which is a vast industry with a market value, at around £10-15bn, that dwarfs the £5.6bn raised for British Gas.

The sale of the CEGB and the regional boards as one giant regulated utility would create a private monopoly with powers that far exceed even those of British Gas (the monopoly would extend over production as well as distribution and sales). Break up of both the prodution and distribution arms of the industry, the establishment of regional operating companies and special arrangements for the management of nuclear power stations would be essential if privatisation were to make economic sense. The creation of independent regional companies would also be desirable in the coal industry should privatisation become a political possibility. If nothing else, the regional partition of an industry makes subsequent regulation in the private sector *that much easier.*

The challenge in a third phase of privatisation will be not so much the wooing of small investors (that battle has been won) but the creation of industrial structures that foster competition and improve efficiency. This will require less razzmatazz and more careful planning.

Men and Matters

TSB's man McCrickard

Some smart money in the City is on Don McCrickard, aged 50, eventually taking charge at the TSB Group following his arrival on the main board this week.

For the last four years he has been a senior figure on the finance houses services side of the group. He joined in 1983 as managing director of United Dominions Trust, and later became managing diretor of TSB Commercial Holdings — the holding company for UDT and Swan National which handles the group's motor and travel activities.

Sir John Read, TSB's chairman, who has welded together some 75 individualistic savings banks into the present group, acting more as a chief executive than part-time chairman, reaches the retiring age of 70 next year.

However, the way to the top of TSB Group is not likely to be without opposition. The chief general manager is Philip Charlton, aged 56, who joined the Chester Savings Bank straight from school when he was 16, and has risen to the highest rank of the trustee savings banks movement. The present TSB Group board is a large one, and personalities of the movement still dominate its make-up.

Yet the group is now deriving 40 per cent of its profits from non-banking activities—credit cards, insurance, and finance house activities. Students of the situation point out that just one more acquisition would make banking a minority activity within the group.

McCrickard, an out-going, plain-speaking, man, is a Londoner who started his career as an accountant, but swiftly switched to the livelier ride of being a marketing executive. He helped develop the European joint publishing venture of W. H. Smith and Doubleday and, while still in his thirties, was appointed chief executive of the American Express British credit card operations—the first Englishman ever to hold that post.

He does not claim to have thought up the slogan "American Express—that will do nicely," which was introduced while he was there. But it did his career no harm at all. He *went on to join the Amex senior* management team in New York before being head-hunted by Read.

Park's story

Alex Park, aged 60, vice-chairman of British Leyland back in the 1970s, is planning to reveal how, in his words, the government of the day set out to destroy BL in a book he his just started to write.

Park, who moved from BL to STC in 1978, has the time to write his memoirs because he has *just* resigned as deputy chief executive *of* the electronics group.

Although he was the last surviving member of the STC senior management swept away in the coup led by Lord Keith in 1985, Park's departure was amicable on both sides. The new guard says he was very helpful when it was taking over the reins, and he is remaining an STC non-executive director.

Park is retiring to concentrate on other interests. Chief among them is his unpaid role as chairman of the British Motor Heritage Trust, which he started 11 years ago.

The trust now boasts more than 275 antique vehicles and over 3m prints, housed in two museums in Brentford and Leyland, Lancashire.

He has also been pleasantly surprised by offers, mainly from smaller electronics companies, of other non-executive directorships. He is pondering them and is likely to accept some.

"I'd have won a fortune if it wasn't for the blasted first past the post system."

Ditfurth's form

Jutta Ditfurth, the flashing-tongued leading lady of West Germany's Greens ecology party, treats audiences with a mixture of sardonic wit, disdain, and quick-fire statistics on the pollution of the Rhine.

Ironically her best TV performance yet has put her at risk of conflict with the authorities.

The Greens have been boycotting the census in Germany claiming that computer-stored information might be used against individuals — a charge the government refutes.

The government is taking a strong line against census boycotters.

Now the public prosecutor's office at Stuttgart has asked for a video of a recent TV appearance by the fiery campaigner.

The prosecutor wants to examine whether Ditfurth, who certainly appeared to viewers to rip up a census form before the studio audience, has actually committed an offence.

Toast and money

Discreet invitations have gone out, *confidentiality has been* promised, and an anonymous modern factory building in London's Docklands has been hired.

On Friday 120 managers from companies in the London area will be making their way to a "buy-out breakfast" arranged by 3i, the venture capital group known formerly as Investors in Industry.

There is good reason for the cloak and dagger work. In the past managers whose plans to stage a buy-out have been discovered in advance have on occasion been summarily sacked. Executives seeking independence from the world of big business are therefore learning to tread warily when they start negotiations.

It is not simply the risk of premature discovery by their bosses that is forcing discretion on would-be buy-out teams. They must also be beware of alerting possible rival buyers to the fact that part of the parent company may be up for sale.

Buy-outs have become extrevely popular in spite of hazards. 3i has backed no fewer than 600, and the Docklands breakfast will be the first in a series of roadshows round the country.

Outside chance

The weary journalists who are ceaselessly touring the motorways like so many Flying Dutchmen during this election campaign in Liberal leader David Steel's "battle bus" have organised a sweepstake among the bus passengers on today's Derby.

The third horse will take the pot.

Observer

As the British election debate focuses on economic policy, the National Institute for Economic and Social Research, a leading economic forecasting body, assesses the three parties' programmes

The Projections

	Conservative					Labour					Alliance					Effects of 10% sterling depreciation				
Unchanged Trade Performance	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991
GDP growth rate (%)	2.9	1.9	2.8	1.9	2.0	3.5	4.1	2.1	1.7	1.7	3.3	3.0	2.1	1.5	1.8	+0.5	+1.1	+0.5	+0.3	+0.1
Unemployment (millions)	3.0	2.9	2.9	2.9	3.0	3.0	2.6	2.5	2.5	2.6	3.0	2.7	2.5	2.5	2.6	−0.1	−0.2	−0.3	−0.4	−0.5
Consumer price inflation (%)	4.1	4.4	4.2	3.4	3.1	4.2	5.1	5.6	4.9	4.5	4.1	4.7	5.1	4.4	3.7	+0.1	+3.0	+4.3	+3.6	+2.8
Current account balance (per cent of GDP)	−0.1	−0.8	−1.3	−1.5	−1.6	−0.2	−1.5	−2.1	−2.2	−2.3	−0.2	−1.3	−1.8	−1.8	−1.9	−0.2	−0.3	+0.4	+0.6	+0.5
Public sector deficit (per cent of GDP) Financial Year	2.8	2.2	2.1	1.8	1.4	3.1	2.8	2.8	2.6	2.3	3.4	2.9	2.7	2.2	2.1	+0.2	−0.3	−0.5	−0.5	−1.0
Improved Trade Performance																				
GDP Growth rate (%)	3.2	3.2	3.1	3.1	3.1	4.8	5.3	3.1	2.9	2.7	3.7	4.3	3.1	2.8	2.8					
Unemployment (millions)	3.0	2.8	2.6	2.4	2.3	2.9	2.5	2.2	2.0	1.9	3.0	2.5	2.2	2.1	1.9					
Consumer price inflation (%)	4.1	4.2	3.9	3.3	3.4	4.1	4.8	5.2	4.8	4.8	4.1	4.4	4.7	4.3	4.8					
Current account balance (per cent of GDP)	0	−0.5	−0.7	−0.2	−0.2	−0.2	−1.2	−1.6	−1.3	−0.9	−0.1	−0.1	−1.2	−0.8	−0.5					
Public sector deficit (per cent of GDP) Financial Year	2.6	1.6	0.9	0	−1.0	3.2	2.3	1.7	1.0	0.1	3.3	2.3	1.6	0.6	−0.4					

Source: NIESR

Important issues are at stake

Andrew Britton and Andrew Gurney find that under the policies of either opposition party unemployment might fall by as much as one million

THE PROSPECTS for the British economy over the next five years depend on a host of influences which are beyond the control of any government, be it Conservative, Labour, Alliance, or some combination. The policies in the three manifestos are very different, but the effects of those differences are dwarfed by the possible impact of a world recession, another oil price fall or indeed a revival of confidence and competitiveness in British industry. With this in mind we have made our calculations for the three party programmes not just for one possible environment, but for two.

The distinction between our optimistic and pessimistic cases turns on Britain's trade performance. Our econometric model, which uses data from the past decade or more, extrapolates the long-drawn-out decline in our share of world exports and the persistent rise in import penetration. That is the basis of our pessimistic case. It could be argued that very recent trends point to a significant improvement in performance, such that rough balance on the current account can be achieved at the present exchange rate within the next five years or so. We would not want to put this forward as a central forecast, but it is a variant worth exploring.

All the projections shown here assume that the exchange rate stays at broadly its present level. This would seem to be the aim of all the parties and any of them might implement it by making the UK a full member of the EMS. Thus when things go wrong in our projections they show up mainly as large deficits on the current account of the balance of payments, not as exchange rate depreciation or faster inflation.

The choice being offered to the electorate is mainly between tax cuts and increases in public spending. The political issues involved in that choice are well-known, some of the economic ones rather less so. Tax cuts, especially income tax cuts, are a very blunt instrument if the aim is to stimulate demand for labour. If the same money is spent on increasing welfare benefits, that will increase demand because most of the benefits will be spent by the recipients, while cutting income tax adds to saving as well as spending. Public spending directly on goods and services can be even more efficient in raising employment if it is directed to domestic production rather than to imports. These distinctions are important to our calculations. They are often ignored by those whose concern is only with the PSBR or with nominal gdp.

All the parties say they will tackle unemployment by means of special measures of various degrees of ingenuity and credibility. But a great deal has been done along these lines already, and returns in terms of meaningful jobs created may be diminishing. The Conservatives seem to be concentrating mainly on training for young people. On reading their manifesto we have reduced our forecast of unemployment by a further 100,000 to give them credit for that.

The Alliance programme concentrates heavily on the long-term unemployed, offering them a job guarantee. To date nothing has been attempted on anything like the scale they propose for the unemployed in older age groups. Experience with the present government's Restart programme suggests that it is much easier to reclassify them than to get them into jobs. Our figuring reflects some of the cautionary points made by the Department of Employment when a similar set of proposals was advanced by the Commons Employment Committee last year.

The Labour jobs programme also aims to cut employment by one million, but it claims this can be done in two years, not three. Labour might have the advantage over the other parties of closer co-operation, or at least non-opposition, from the trade unions, especially in the public sector. That seems important to any rapid further expansion of special employment measures. On the other hand the Labour jobs programme is not as closely targeted as that of the Alliance to finding jobs for the unemployed, as opposed to expanding employment generally. Thus a Labour government could well spend the promised £6bn and create a million jobs, but not reduce unemployment by quite so much, as measured at least. Extra jobs in the social services for example might well provide part time employment for married women or pensioners.

If trade performance does not improve we run into difficulties under any party's policies. Under Conservative policies unemployment would fall no further. Under either of the opposition parties unemployment should go on falling, but the prospect for the balance of payments looks problematic. According to our model the exchange rate is now too high whichever party wins the election; the more expansionary the policies adopted the greater the need for exchange rate depreciation and the greater likelihood that this will happen. The table shows the effects of a fall of 10 per cent in the exchange rate this year. These effects can be added to any of the projections to indicate the impact of such a depreciation in combination with each party's policies.

The more ardent supporters of each party will doubtless read only the table for their own policies in which trade performance improves, and only the tables in which it does not for the policies of their opponents. History suggests that politicians of all parties overstate the effects of their policies on growth and trade performance. We have no means of quantifying the effects of the industrial policy proposals in the various manifestos or, for that matter, the effect of a Conservative victory on the morale of industrialists. We would be surprised if as much as 1 per cent a year on the growth rate was at stake.

What is at stake between the parties is nevertheless important. A continuation of Conservative policies probably means a continuation of high unemployment, although a significant fall below the present level is likely if all goes well on the trade front. Under the policies of either of the opposition parties unemployment might fall more substantially — by as much as a million. There is some risk, however, that inflation or the balance of payments would prevent either of them from achieving their policy programme in full.

The authors are, respectively, the Director and a research officer of NIESR.

Lombard

Two-way stretch on farm prices

By Tim Dickson in Brussels

EAST ANGLIAN cereal producers riot in Trafalgar Square. Cumbrian hill farmers in pitched (fork) battle with local police. Tory vote slumps in key marginal rural constituencies as agricultural lobbies switch allegiance to the SDP.

Such a scenario may be completely far fetched. But it is nevertheless revealing that so soon after the sharp setback for the West German Government in state elections—explained in part by farmers angry at their minister's perceived inability to influence policymakers in Brussels—Mrs Thatcher can safely go to the polls in Britain proudly promising "to play a leading part in European Community negotiations to reform the CAP." (Conservative Manifesto, May 1987.

British farmers, of course, are traditionally a peaceful lot by comparison with their "brothers" in France and West Germany and have long lacked the numbers (if not the financial clout) to make a major impact in national elections.

But the real reason why they do not pose a serious political problem in the UK is that the widely trumpeted Conservative rhetoric about cutting back the food "mountains" does not always match up to reality. Though the National Farmers Union may not wholeheartedly agree, Britain's Agriculture Minister Mr Michael Jopling, has been almost as adept at playing the "nationalist" card as his supposedly intransigent colleagues.

Take, for example, the EC farm price negotiations dragging on in Brussels at the moment. Quite rightly, given the chronic surplus on world markets, Mr Jopling has given the EC's Agriculture Commissioner, Mr Frans Andriessen, full backing for his plan to limit Community support for the cereals sector. But what is less widely appreciated is that Mr Jopling has at the same time forcefully complained in the Farm Council that the proposed 4 per cent devaluation of the "green" pound—a measure which will increase prices to British farmers in local currency and compensate in some part for nominal cuts elsewhere—is in his view insufficient to protect British farm incomes and should therefore be increased. He refuses to say what level he will accept, but experts reckon the British negotiating position could be up to double what is currently on offer.

To be fair to Mr Jopling, the adjustment of green rates which convert common ECU denominated EC farm prices into national currencies is part of a long established process aimed at preserving the structure of a common Community-wide farm support system (the commitment to an early devaluation of the Green Pound is also in the manifesto). Moreover, there is an understandable determination to make sure that in the important discussions over green currencies, Britain's major agricultural competitors —namely the French and the Irish—do not emerge with an unfair advantage. Purely looked at in terms of relative trading advantage, there is a plausible case for arguing that the Commission's current proposals do not do justice to the British position.

On the other hand, Britain's demand for a bigger Green Pound devaluation will add a further cost—albeit probably a modest one—to an already creaking EC budget and can only exacerbate the risk of retaliatory requests from other member states during the negotiations to come. While the UK's refusal to join the European Monetary System makes its farmers more vulnerable to adverse currency swings, a committed reformer of the CAP should deplore the inflationary impact of an existing agri-monetary regime which has probably benefited British farmers as much as any others.

The fact is that while successive British agriculture ministers have appeared to favour CAP reform, most have used the system consistently to secure their own farmers a good deal. The special beef premium negotiated by Mr Fred Peart in 1974, similar arrangements for the sheepmeat regime in 1979, and the preservation of special arrangements for New Zealand butter are just three ways in which British interests have been protected over the years.

Britain is right in depicting EC farm spending as the cuckoo which grabs a wholly disproportionate share of resources from the Community's nest. But especially at election time do not expect any great sacrifices on Mr Jopling's part.

Letters to the Editor

Centralisation defined

From Mr M. Living

Sir,—You seem to have come across a very odd definition of the word "centralisation." In your editorial of May 20, you complain that Tory manifesto promises would centralise power into the hands of the government; and cite the policies on housing and education as examples.

Taking housing, the government has promised to continue the sales of council houses, and to allow tenants to opt out of local council control. It also seeks to redress the balance between public and private rented housing. Where is the centralisation in that? The word "centralisation" as I see it, is to take decision-making powers from a large number of people, and place it into the hands of a small number. The above policies would however take the power from a small number of officials, and place it into the hands of large numbers of consumers: an odd form of "centralisation."

Similarly in the field of education. The government's manifesto promises to allow schools the right to manage their own budget, or to opt out of the state sector completely. It also gives London authorities the option to opt out of the ILEA monolith. And it will continue to allow parents the right to choose between state and private education through the assisted places scheme.

In short, a wholescale redistribution of power from local authorities not to central government, but to individual headmasters, schools, and parents. If this is centralisation, keep it up!

The mistaken use of the word "centralisation" can be laid at the door of that peculiarly corporatist viewpoint that the relevant unit of society is not the individual, far less the family, but the local authority (or trade union or other corporate entity); and that any power taken from this unit must, ipso facto, be going to the only other unit of society —central government.

The fact that these easy corporatist assumptions are still being trotted out, in spite of the past eight years, itself demonstrates the need for a third term of Conservative government.

Marc S. Living.
294 Merton Road, SW18.

Monopolistic competition

From Mr S. Simpson

Sir,—The UK credit card industry is an example of monopolistic competition theory (the economic theory of few firms in an industry, ie cartels) in practice.

Indicators of monopolistic competition include price fixing and product differentiation, that is the way in which products are promoted as being different from their close competitors. When my Access and Barclaycard arrive, I see little difference in the price of the money I borrow; what is clear is the degree to which product differentiation takes place. I am sent glossy product magazines, tempting life insurance packages and offers on goods I cannot afford with almost every statement. The interest rate, however, is the same for each card.

Monopolistic competition thrives among companies offering the Mastercharge and Visa services. Access, which operates Mastercharge, typically involves each of the four banks in the group competing to sign up customers to the individual bank's version of Access. Each bank attempts to give the impression of a unique or different service, but the price among the four remains the same. The Visa operators: Barclaycard, Trustcard and the AA card, for example, offer various promotions to tempt customers, but again, interest rates are left unchanged. When prices do change, the industry adjusts, but the rate of movement in and out of it is slow. This is typical monopolistic competition behaviour.

All operators advertise heavily and the costs of entry into the market are high, indicative again of cartels.

It is because of such behaviour that the Office of Fair Trading's investigation is justified and welcome. Perhaps the first target for the investigation should be the cosy Access set-up. If this were split into its constituent parts, with each bank competing independently, I venture that the UK credit card industry would better serve the needs of its customers.

Stephen Simpson.
44 Lowfield Road, Caversham Park Village, Reading, Berks.

Protecting innovation

From the chairman, ProMicro

Sir,—The article "A new method of protecting innovation" (May 28) is to the point in its analysis in so far as it covers the subject of innovation today, but is incomplete inasmuch as it makes no reference to a most important and live area of technology, which is crying out for an adequate modern international protection system. I refer to computer software, today protected (artificially perhaps) in part by copyright, in part by contract law and in part by patent law —if it is associated technically and in a novel manner with hardware. Moreover, its legal status appears to differ territorially. One writer has described this as "an issue that divides countries."

The life of many novel software packages is limited and piracy is rife. During that period of a few years adequate international protection is essential if the creator and innovator of software is to be rewarded for his commercially valuable originality.

(Dr) Basil Bard.
1-3, Canfield Place, NW6.

Exchange rate stability

From the director, Economic Affairs, Confederation of British Industry

Sir,—Neil MacKinnon (May 20) makes fair points about interest and exchange rate volatility. But his points are too general. We need to be practical and look to what those firms in industry and commerce which produce the goods, services and jobs really need.

Members of the CBI throughout the country have expressed concern about the volatility of sterling. The decline in the value of the pound in the second half of last year was followed by a degree of relative stability. This was followed by a significant pick-up in orders, particularly in export markets. The appreciation in the value of the pound since the end of February has created uncertainty about the exchange rate that Government wishes to see. This uncertainty could have an unfortunate effect on business planning, investment, product development and, working through the chain, jobs.

The Chancellor talked on April 1 of sterling rates at around DM 2.90 and $1.60. There has been further appreciation since then, and, at current rates, sterling must be close to the ceiling he had in mind.

If he were to do nothing to dissuade further appreciation business prospects could be even more adversely affected, and we would miss the chance of reducing inflation through lower interest rates.

Some 60 per cent of UK trade is now with Europe. A closer alignment of sterling with the European currencies would thus reduce uncertainty over a significant proportion of our total trade. The message that comes through strongly from British businesses is that their priority is greater stability of exchange rates.

So, though I do not seriously dispute what Neil MacKinnon says, I believe full membership of the EMS would offer the prospect of the more stable exchange rates which business so badly needs. This opportunity should be grasped as soon as possible after the election by the next government taking the UK into the exchange rate mechanism.

John Caff.
103 New Oxford Street, WC1.

Follies galore

From Mr M. Varcoe-Cocks

Sir,—In his review (May 26) of the Brighton performances of the Court Theatre at Drottningholm, David Murray makes three surprising errors.

He writes of the cast as "pretty much the young Swedish home team, not the starry casts who appear at Gustav's palace in high summer." Drottningholm does not have "starry casts" à la Salzburg, nor even à la Glyndebourne at high summer or any other time; indeed, with extremely rare exceptions, performances take place only during summer!

Gustav III was not, as Mr Murray clearly implies, assassinated at Drottningholm, but at the Royal Opera House he had himself established in Stockholm 10 years earlier in 1782. (This theatre was itself replaced by Stockholm's current Opera House in 1898.)

It is wrong to describe Drottningholm as "a delightful folly to match Brighton's own," the latter rightly so-called [" costly structure considered to have shown folly in the builder "— shorter OED]. It was built in 1762 as a conventional court theatre by Gustav's mother, Lovisa Ulrika, sister of Frederik the Great, replacing the smaller one destroyed by fire which she also had built in 1754. She was reared in a court with great respect for music as an art form and her longing for regular performances of opera in Stockholm was only fully realised by her son.

Delightful it certainly is, but if the theatre at Drottningholm is a "royal folly," then so is every other court theatre in Europe, from Versailles to dozens in Germany and Italy.

Michael D. Varcoe-Cocks.
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FINANCIAL TIMES
Wednesday June 3 1987

Stewart Fleming reports on a round-up of presidential hopefuls

Herd instinct rules Republican trail

MR DANA REED is a confessed political junkie. Last weekend, for no very good reason except his enthusiasm for Republican presidential politics, Mr Reed took a 3,000 mile round trip journey to attend the Midwest Republican Leadership Conference in Des Moines, Iowa.

The conference is one of four "cattle shows" where Republican presidential hopefuls display their political pedigree to the party faithful, a mixture of the engaged, the financially generous, the ambitious, and, like Mr Reed, the just plain curious.

"I just wanted to see the candidates," Mr Reed said of his weekend odyssey. "Where else can you see them all in one room for a $250 airfare?"

Mr Reed was not bowled over by the performance of the man he is leaning towards supporting, Vice President George Bush.

For the past seven years, the core of the campaign staff who helped Mr Bush win his 1980 victory over rival Ronald Reagan in the Iowa caucuses, have met once a year to renew friendships and to keep the flame of Mr Bush's presidential ambitions burning. In February, Iowa provides the first authentic test of the candidates' relative standing.

Mr Bush himself has constantly seized on opportunities to visit Iowa, hoping to secure not the 1 per cent of delegates Iowa sends to the Republican national convention, but the media imprimatur as official frontrunner.

His efforts and those of his staff to renew old political friendships in Iowa and forge new alliances have not always been subtle, judging from the story told by the Republican National Committee member from one midwestern state.

Senior Bush staff workers, he recalled, had tried to dissuade him from joining the campaign of rival Republican contender Robert Dole, first reminding him that most of his peers on the committee were backing the Vice President.

When that failed, they bluntly warned that if Mr Bush won the presidency he could expect to have a challenger for his seat on the Republican National Committee and no support from Mr Bush should he decide to make the run for state governor. He defected anyway.

The Vice President's efforts to steamroller the opposition into submission, reminiscent in some ways of former vice president Walter Mondale's campaign for the presidency in 1984, have indeed given him a powerful position as the frontrunner in the race for the Republican party's nomination. He leads in all the preference polls and has so far escaped any damage from the Irangate hearings.

But whatever went on behind closed doors at the Marriot Hotel, Des Moines, Mr Bush's public performance did nothing to underpin his status. Even one of his paid advisers conceded that former Delaware Governor Pierre (Pete) Dupont, the energetic 51-year-old who is still just an asterisk in a field of six known runners, stole the show.

The Vice President, exercising the privileges of his office, much to the chagrin of his rivals, chose to deliver his speech at a luncheon on Saturday in the cavernous Iowa exhibit hall rather than the more intimate hotel ballroom where Senator Dole, Rep Jack Kemp, General Alexander Haig, former Nato Commander and Nixon aide, former Senator and Reagan intimate Paul Laxalt, Rev Pat Robertson, the Conservative former television evangelist, and Mr Du Pont, gave their attenuated 15-minute speeches.

Senator Dole, the man most political analysts believe to be the only realistic challenger to the Vice President at this stage, was thoroughly peeved.

He had shrewdly packed the convention of 1,000, with 300 supporters bussed the 100-odd miles up the road from his neighbouring home state of Kansas.

Rumour had it that first he planned to give a box lunch for his supporters which would have left the hall somewhat empty and forlorn for the Vice President's speech. Then it appears there were plans afoot for his supporters to pack the front row of the hall and, against convention rules, unfurl "Dole for President" banners as the assembled media and the faithful, listened to Mr Bush speak.

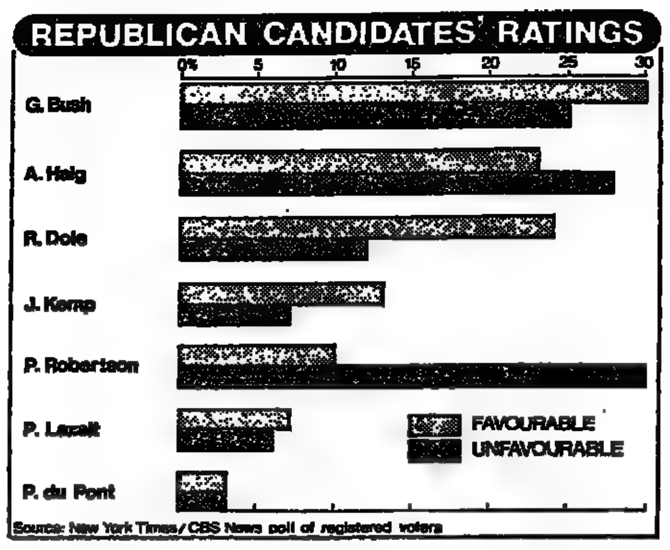
This ploy too was defused until the next day (Sunday) when, after a fierce row, the Kansas delegation injected some life and a touch of political fire into the otherwise humdrum proceeding by parading through the ballroom blowing whistles.

In the event, the other candidates need not have worried. Mr Bush's paean of praise to President Reagan and his strenuous efforts to convey a forceful comittment to the Reagan record stirred only polite applause and set a tone of nostalgic intellectual stagnation which only Mr Du Pont, with his call for his party to confront the need for change, and to a lesser extent Sen Dole, were able to break briefly.

Rev Robertson, preaching a gospel noticeably lacking in brotherly love, called for America to dedicate itself to eradicating Communism in the Soviet Union and destabilising militarily other Communist regimes. "Absolutely," he replied when asked if he would send arms to the Solidarity movement in Poland.

Rev Robertson apart, it was clear that like Mr Du Pont, the speakers (and many of the delegates) sensed the need for change, and in particular the importance of shifting the party back towards the centre, even if they were not willing to articulate it too precisely at this stage and before this audience of Republican enthusiasts.

It can have been no accident that Ms Nancy Kassebaum, a Republican moderate and, among other things a sharp critic of South Africa and those in her party for whom anti-Communism is the acid foreign policy test, was selected to present a forum on foreign policy. No accident either, that Mr Frank Fahrenkopf, chairman of the party, opened the convention with a speech in which he described the party as having become "a little like Linus (of the Peanuts comic strip), clutching the mantle of President Reagan's leadership like a security blanket."



Source: New York Times/CBS News poll of registered voters

British currency reserves rise to $34.6bn

By Janet Bush and Philip Stephens in London

BRITAIN'S gold and foreign currency reserves showed the largest monthly increase on record in May, reflecting massive intervention by the Bank of England to prevent the pound from rising.

The underlying rise in the reserves was $4.76bn, more than double most market forecasts, and compared with increases of $2.9bn in April and $1.79 in March. The reserves now stand at an all-time high of $34.68bn.

Mr Nigel Lawson, the Chancellor of the Exchequer, said that the intervention reflected the Government's determination to promote a period of stability on foreign exchange markets following February's Paris accord among major industrial nations.

He said that a re-elected Conservative Government would be prepared to go on intervening on a similar scale if there was a further surge in sterling's value after the general election on June 11, but hinted that in such circumstances he would also allow a further cut in interest rates.

The Chancellor noted that efforts over the past two months to brake sterling's rise had combined both intervention and interest rate cuts. He appeared uncertain, however, over how the foreign exchange markets would react to a Conservative election victory.

Speaking to businessmen in London yesterday he said that it could result in another large inflow of funds into sterling, but that could be at least partly offset by profit-taking by existing overseas investors.

The Chancellor said that Britain would review possible membership of the European Monetary System's exchange rate mechanism after the election, but he could give no guarantee of an early decision to join.

In sterling terms, May's increase in the reserves brings the total build-up over the past three months, a period encompassing the budget and the announcement of next week's election, to almost £6bn ($9.8bn).

That provoked some concern in the UK Government bond market as the expansionary effect of intervention, which floods the banking system with liquidity, can only be sterilised by more sales of government debt.

Gilt prices dipped yesterday as market makers contemplated the large increase in necessary debt sales the figures implied. Over the remaining 10 months of the current fiscal year, May's build-up in reserves alone suggests sales of an extra £500m worth of gilts a month.

The Chancellor said yesterday the presumption was that the intervention would be funded and therefore should have no inflationary or adverse monetary consequences.

He acknowledged, however, that intervention could not be sterilised on a month-by-month basis, which means there is likely to be a temporary acceleration in the growth of broad money supply.

Despite the Chancellor's assurances on inflation, the gilt-edged market yesterday appeared nervous that even a temporary bulge of liquidity in the system could lead to inflationary pressures.

In his comments about next week's Venice summit Mr Lawson said that governments were not expecting any major new economic initiatives and he expected they would endorse the Paris currency stabilisation pact.

He said that the priority now was for Japan and West Germany to live up to their promises to expand their economies while the US should do more to reduce its budget deficit. He added that West Germany could contribute to economic co-operation by accelerating its tax-cutting plans, while Japan should do more to open up its markets.

The actual rise in reserves in May $4.87bn compared with an increase of $2.77bn in April

THE LEX COLUMN

So farewell then Paul Volcker

It is a sort of backhanded compliment to Mr Paul Volcker that the dollar and the US bond market both took fright on his resignation announcement, and something of an insult to his nominated successor. But as the bond market joke goes, were God to replace Volcker, prices would be down a couple of points.

Volcker's chairmanship of the Federal Reserve Board was by all accounts one of the few stabilising influences on the markets in some difficult periods, although his ability to deal with the dollar's collapse has been much hedged about in recent months by other sections of the US authorities.

The Fed's policy on interest rates has been to follow rather than lead the market, hence the mere "snugging" of monetary policy when something more aggressive might have been appropriate.

At least the news was released when the dollar had been a little firmer in the run-up to next week's Venice summit, at which the foreign exchange market had expected some support package for the currency to be arranged.

With Volcker now a lame-duck Fed chairman the whole question of dollar policy is once again up in the air. And as the bond market's first, rather ill-informed, opinion of Mr Alan Greenspan is that he is more of a growth man than an anti-inflationist, it is not too happy either. His Congressional testimony will be carefully read.

Japan

Investors in the Japanese stock market lie awake at night wracked by uncertainty about the Japanese economy. They are very worried that it might recover. This is just one of many paradoxes, at least to Western eyes, resulting from a market which is moved much more by weight of money rather than by analyses of earnings potential.

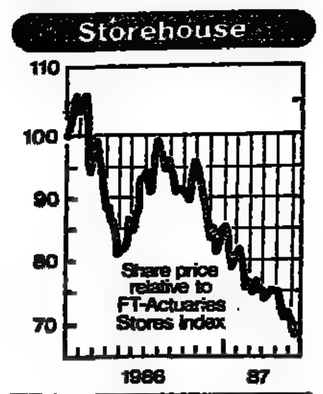
A large measure of that market's dizzy height is the result of companies with few profitable outlets for new capital investment, choosing instead to hunt for profits on the stock exchange. So, if the prospects for Japanese industry were to improve, there would be a rush to pull company funds out of shares and into new capital.

Yesterday's 2 per cent fall of the dollar against the yen will at least reassure those banking against such a development. In Japan it could lead to a similar correction in the stock market rating of the major exporting corporations, which have recently been the star performers on the Nikkei Dow.

It might also seem paradoxical that such companies should be favoured at all, but the Japanese market is rotational in nature: no sector is allowed to remain untouched by the speculative wheel of fortune.

It is easy enough to give reasons why the Nikkei Dow, teetering at the 25,000-point level, should crash. It is based on borrowed money backing share ratings justified by an asset backing which is itself a derivation of a property market whose height is matched only by its thinness.

Such arguments have for over a year been invoked by exiting foreign investors, at a great opportunity cost. The currency-kicker may no longer be available for them, but the weight of money argument is as insidiously powerful as ever: the Japanese investment trusts are now about 30 per cent in cash.



Storehouse

The Storehouse plan to inject the highly rated Habitat-Mothercare formula into dull-as-ditchwater BHS looks slightly absurd in the light of the group's first full-year results. It is not merely that the progress of the whole group has been set by the tortoise, but the hare seems to have gone down with a strange bug.

The pre-tax result was, it is true, only a shade under expectations, but the £3.5m fall at Mothercare due to the warehouse trouble was a serious (and surprising) blow to the credibility of a company which built its reputation on such "systems."

Unfortunately there was little on show – apart from Richards and the related companies – to make up for this difficulty. BHS was never going to be a 12-month turnaround and has produced a respectable 18 per cent profit rise; however, that is flattered by the removal of food, and sales have risen only 8 per cent.

Habitat, too, has finally got out of town but, considering the consumer and credit boom, returns are not exciting, a fact hardly excused by the general dullness in furniture.

Storehouse remains at a 25 per cent discount to the stores sector and it is tempting to think it has bottomed, particularly as the yield should hold it up and selling space continues to expand. But most investors will probably want to see the effect of the new merchandise on BHS and make sure that Mothercare's troubles have not permanently handed market share to the growing competition.

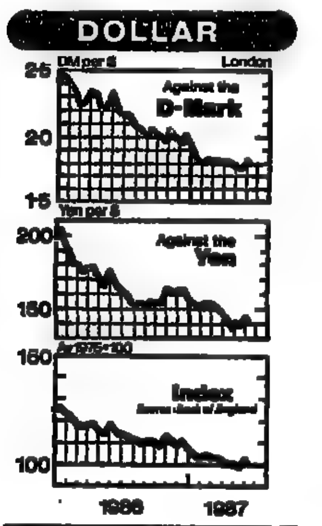
Hanson Trust

For a company anxious to court information-hungry US investors, even if not overconcerned about the City's sensibilities, Hanson Trust does itself no favours. By lumping together a variety of items, presumably including share dealing profits, and coming up with a blanket contribution to pre-tax profits of £16m, Hanson took attention away from a respectable trading performance in its first half.

The explanation, that a cautious approach to booking such uncertain gains will spread them to the second half, still leaves much for the cynics to question. So, though it is widely assumed that earnings per share will rise this year rather faster than the market, the prospective multiple of around 12½ with the shares down 9½p to 163½p, is at a discount. It is as well that Hanson has cash for acquisitions; its paper would not buy much these days.

United News/Extel

Reaching 41.76 per cent at the first closing date is less impressive when you recall that United Newspapers started with 27 per cent but it is surely enough for the last rites to be administered to Extel. If Extel's allegations of dirty tricks over the cash alternative are even half-true then the battle may yet be close enough to deny United the luxury of cruising to victory without MIM.



Markets fall after Volcker departure

Continued from Page 1

Mr Volcker would be reappointed.

Mr Greenspan is recognised as an accomplished domestic business economist but foreign exchange players say he will have to work quickly to learn about international economics and to establish relations with other central bankers.

In particular he will have to develop a forceful personal role to influence international economic affairs as Mr Volcker had done.

Mr Greenspan said yesterday he thought the dollar had bottomed out which seemed to help stabilise the currency. Some traders expressed concern, however, that the failure of Mr Volcker to serve a third term could indicate a clash over policies between the Fed and the White House and thus Fed policy could change under Mr Greenspan.

Berisford and Grace announce merger of cocoa processing

BY STEFAN WAGSTYL IN LONDON

S & W BERISFORD, the British food and commodity trading company, and W.R. Grace, the US conglomerate, yesterday announced the merger of their cocoa-processing interests into a group which will have annual sales of more than £400m ($648.4m).

The joint venture, in which Berisford will have a 40 per cent voting interest and Grace 60 per cent, will create one of the largest groups in an industry which has been going through a time of rapid consolidation.

To help pay for the deal, Berisford is issuing up to 10.1m shares, or 5.3 per cent of the enlarged equity, to Grace. It is a move which stockbrokers say will assist Berisford in fighting off potential predators.

The company has been the subject of persistent bid rumours in the City of London, most recently since last month, when Associated British Foods acquired a 23.7 per cent stake.

ABF, a food company controlled by the Canadian Weston family, bought the shares from Ferruzzi, Italian food group, which earlier failed to buy Berisford's biggest subsidiary, British Sugar. Tate & Lyle, the UK sugar refiner which also unsuccessfully bid for British Sugar, owns a further 14.9 per cent of Berisford.

Mr Henry Lewis, Berisford's chairman, acknowledged that the share issue would do the company no harm in any possible takeover battle. "I suppose it helps," he said.

Berisford said the purpose of the merger, which is expected to be completed by the autumn, was to combine Berisford's strength in buying cocoa with Grace's processing skills.

The joint venture will consist of Berisford's cocoa factories in Holland and West Germany and Grace's plants in Holland and Singapore and its US chocolate-making factory. Mr Pedro Mata, a senior Grace executive, will head the combined group, which will have cash to fund a plant-modernisation scheme and for acquisition.

Cocoa-processors, which turn cocoa beans into cocoa butter (for chocolate) and cocoa powder (for drinks and other uses) have been under pressure from their main customers, the large international chocolate companies.

Processors in Europe and North America have also been hit by competition from newly built plants in cocoa-growing countries, mainly in West Africa.

GM unit wins £200m contract

BY DAVID THOMAS IN LONDON

A CONTRACT worth £200m ($325m) to supply the two satellites for Britain's first direct broadcast by satellite system has been won by Hughes Aircraft, a subsidiary of General Motors of the US.

Hughes will build the satellites in California and is close to awarding a contract to McDonnell Douglas of the US for launching them from Cape Kennedy.

British Satellite Broadcasting, holder of Britain's direct broadcasting by satelite franchise, said Hughes beat British Aerospace and Comsat, another US group, on delivery date, financial and technical grounds.

Mr Graham Grist, BSB's finance director, said that, thanks to Hughes' favourable financial package and other considerations, the broadcasting group would probably be able to reduce its initial financing requirments from £250m to nearer £200m.

The final details of the satellite contract, which BSB aims to sign this month, are still being negotiated.

Hughes has undertaken to have the first of the two satellites in orbit by early autumn 1989 in time for BSB to start broadcasting for Christmas 1989.

Mr Grist said British Aerospace was not able to guarantee launch of the first satellite by Christmas 1989, though British Aerospace said yesterday it could have delivered the satellites by October 1989.

Comsat was offering cheaper satellites than Hughes because it would have used satellites which have already been built.

However, Mr Grist said that, after taking into account Hughes' financial offer, whereby Hughes will share a substantial part of the financial risk should the venture fail, Hughes' and Comsat's bids did not differ greatly.

British Aerospace said it had offered to defer receipt of payment of several tens of millions of pounds for five to six years, but it would have had at least to double this offer to win the deal.

BSB, whose founding shareholders are Granada, Pearson (publishers of the Financial Times), Virgin and Anglia Television, is also due to announce soon a contract for about £5m to 10m for the venture's control station.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	22	72	Malta	S	22	72	Rhodes	S	21	70
Algiers	S	27	81	Edinburgh	F	14	57	Manchester	R	12	54	Rio de J'o	C	27	88
Amsterdam	C	18	64	Faro	S	24	75	Manila	R	35	95	Rome	R	20	68
Athens	C	24	75	Florence	S	25	77	Melbourne	C	14	57	Salzburg	R	18	64
Bahrain	S	37	99	Frankfurt	C	21	70	Mexico City	S	26	79	San Francisco	S	28	82
Bangkok	S	33	91	Funchal	S	25	77	Miami	C	29	84	Seoul	R	21	70
Barcelona	S	21	70	Geneva	S	18	66	Milan	S	23	73	Singapore	R	21	70
Beirut	S	21	70	Gibraltar	S	21	70	Montreal	S	27	81	Stockholm	R	13	55
Belfast	R	11	52	Glasgow	R	12	54	Moscow	C	20	68	Strasbourg	C	20	68
Belgrade	S	22	78	Guernsey	C	11	52	Munich	F	19	66	Sydney	C	19	66
Berlin	C	18	64	Helsinki	R	15	59	Nairobi	–	n/a	n/a	Taipei	R	25	77
Biarritz	S	25	77	H. Kong	S	29	84	Naples	F	26	79	Tangier	S	24	75
Bombay	–	n/a	n/a	Innsbruck	S	22	72	Nassau	S	24	75	Tel Aviv	S	24	75
Bordeaux	S	25	77	Inverness	S	13	55	New Delhi	S	42	107	Tenerife	S	27	81
Brussels	C	20	68	Islamabad	C	[illegible]	98	New York	R	34	93	Tokyo	S	25	77
Budapest	S	21	70	Istanbul	C	20	68	Nice	S	21	70	Toronto	C	28	82
B. Aires	C	16	61	Jakarta	C	[illegible]	86	Nicosia	S	28	82	Tunis	S	25	77
Cairo	S	31	88	Jersey	R	11	52	Oporto	S	19	66	Valencia	S	25	77
Cape Town	R	15	59	Jo'burg	S	22	72	Oslo	C	11	52	Venice	S	22	72
Caracas	C	27	81	Lima	S	24	75	Paris	C	19	67	Vienna	S	21	70
Casablanca	S	24	75	Lisbon	S	28	82	Peking	S	28	82	Warsaw	C	13	55
Chicago	C	29	85	London	R	16	61	Prague	R	14	57	Washington	–	n/a	n/a
Cologne	R	14	57	Los Angeles	S	33	91	Reykjavik	S	11	52	Zurich	S	20	68
Copenhagen	C	11	52	Luxembourg	F	17	63								
Corfu	S	23	73	Madrid	S	33	91								
Dallas	–	n/a	n/a	Majorca	S	25	77								
Dublin	R	16	61	Malaga	S	23	73								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK Tories plan more state industry sell-offs

Continued from Page 1

mains to bring competitive efficiency to its operations.

British Steel, while now profitable, is operating in a sector where there are still considerable problems, so it is not "a very early candidate" for sale, and the Royal Mail, the mail delivery side, of the Post Office, will definitely not be sold, Mrs Thatcher stressed. She said it was "different in history and in kind from anything else."

But she left open the privatisation of other parts of the Post Office, such as counter services (many of which are already in private sub-post offices).

Mrs Thatcher last night intensified Conservative attacks on Labour over the economy as a new survey appeared suggesting that both opposition parties have advanced in their target seats.

The main Conservative campaign theme is now to warn of the dangers that a Labour Government would pose to Britain's economy and defence.

Speaking in Darlington, Neil Kinnock, the Labour leader, attacked the Government for creating a divided nation in which a rich and poor Britain were "travelling in opposite directions."

US and Soviets agree terms

Continued from Page 1

iminating both longer-range (1,000 to 5,000km) and shorter-range (500 to 1,000km) weapons in Europe.

The Soviet Union was waiting for the US to table its answer in Geneva. Nato Foreign Ministers are expected to adopt a common policy towards the Soviet proposals on June 11.

Clarifying the Soviet position on the 72 West German Pershing 1A missiles, Mr Obukhov said the US-controlled nuclear warheads would have to be eliminated under an INF agreement but that the missiles themselves would not be covered by it.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 3 1987

Royal Bank of Canada downgrades Brazil debt

BY BERNARD SIMON IN TORONTO

ROYAL BANK of Canada, the country's biggest bank, has decided to downgrade C$1.3bn (US$1bn) of *loans to Brazil*, thus contributing to a 7 per cent drop in second-quarter earnings.

RBC said that net earnings had fallen to C$116.2m, or 83 cents a share, in the three months ended April 30 from C$125.1m, or 88 cents, a year earlier.

The designation of the bank's medium and long-term exposure to Brazil as non-accrual loans cut after-tax earnings by about C$22m in the latest period. The classification means that interest income is accounted for only when received.

Average assets fell from C$100.4bn in the first quarter to C$99bn. The bank said strong growth in consumer credit and mortgages was offset by lower inter-bank deposits and unfavourable conversions of US dollar assets.

Second-quarter return on assets was 0.46 per cent, compared with 0.53 per cent a year earlier and 0.45 per cent in the previous three months.

Brazil's suspension of interest payments to its foreign creditors was the main reason for a further sharp deterioration in RBC's international performance, which has also suffered from intense competition in global capital markets.

International operations suffered a net loss of C$9m, compared with a C$52m profit a year earlier. Net interest income fell by C$40m because of the suspension of payments from Brazil.

Mr Allan Taylor, chairman, said that, while formal negotiations between Brazil and its main creditors were expected to begin soon, it was premature to speculate on when the current impasse would be resolved and the loans returned to accrual status.

Götabanken's *operating profit* rises by 6%

By Kevin Done, Nordic Correspondent, in Stockholm

THE GÖTABANKEN group, Sweden's fourth-largest publicly quoted bank, increased its operating profits by 6 per cent in the first four months of the year to SKr 253m ($40m).

In the same period, Nordbanken, its smaller rival, suffered a fall of 11.1 per cent in operating profits to SKr 143.1m.

The big three Swedish banks, Skandinaviska Enskilda Banken, Svenska Handelsbanken and PKbanken, issue their interim reports later this month, but it is clear that Swedish banks are unlikely to reach last year's record profit levels, when banking sector profits jumped by 63 per cent.

Götabanken achieved a modest increase in profits thanks chiefly to much lower credit losses and loan loss provisions than last year.

In 1986 it was hit hard by its exposure to Fermenta, the troubled Swedish antibiotics and chemicals group, and in particular to its former majority shareholder and chief executive Mr Refaat El-Sayed, who is now facing bankruptcy.

Credit losses and loan loss provisions fell by 65 per cent to SKr 44m from SKr 127m in the first four months of 1986. Götabanken is injecting some SKr 25m in new equity into Fermenta as part of a financial rescue package.

However, the bank said no additional provisions were needed against its lending to Fermenta and *Mr El-Sayed above last year's* record provision of SKr 250m.

The Götabanken parent bank increased its interest earnings by 16 per cent to SKr 389m thanks chiefly to a big jump in the volume of lending, with total assets rising by some 24 per cent during the first four months compared with the corresponding period a year earlier.

Other income dropped sharply, however, by 26 per cent to SKr 185m due mainly to a big fall in earnings from money market, bond market and equities trading.

Total costs for the parent bank rose by 12 per cent to SKr 330m.

Earnings fall hits Mannesmann payout

BY DAVID MARSH IN DÜSSELDORF

MANNESMANN, the West German steel pipes and engineering group, is cutting its dividend for 1986 to DM 5.80 a share from DM 6 after a sharp fall in profits last year caused mainly by heavy losses in its mainstream pipes business.

The parent company, which is making a big effort to diversify into consumer-oriented sectors from its traditional investment goods areas, suffered a fall in net profits to DM 158m last year from DM 180.4m in 1985.

The profits drop was even more marked at the group level, down to DM 106.6m from DM 255.9m.

Mr Werner Dieter, the chairman, giving a gloomy forecast for 1987, said Mannesmann would "barely grow" this year. Profits were down in the first quarter compared with the same period last year.

Mr Dieter hit out strongly at steel pipe subsidies in competing countries for keeping going excess capacity, which he blamed for the overall DM 500m losses registered by Mannesmann's pipes division last year.

He hinted that further large job cuts were likely in the pipes business, which is already shedding 6,500 workers under a plan announced a year ago.

France and Italy were the worst steel subsidy offenders in the EC, he said, with the UK also able to undercut significantly Mannesmann's prices as a result of the depreciation of sterling.

Declaring that continued foreign subsidies had contributed to a fall in pipe prices over the last six months amounting to a "disaster," he said: "We are fighting against the finance ministers of our competitors."

Mannesmann's export business has suffered badly from the fall of the dollar, coupled with a deterioration in the overall economic environment over the past year. Giving a highly cautious view of West German growth prospects for 1987, he said there were no signs of any economic improvement over the next few months.

Mannesmann group turnover in the first three months of 1987 fell 6 per cent compared with the same period last year, to DM 3.21bn

Exports fell 17 per cent over this period and slumped to only 48 per cent of overall sales from domestic companies.

Anglo American boosted by decline in rand

BY STEFAN WAGSTYL IN LONDON

ANGLO AMERICAN Corporation, the South African mining and industrial combine, yesterday announced a 25.8 per cent rise in equity-accounted profits to R1.50 bn ($258m) for the year to the end of March, thanks mainly to the *continuing decline of the rand which* boosted the value of export sales of gold, diamonds and some other minerals.

Increased dividends from the group's gold mines, as well as from its investments in diamonds, platinum and ferro-alloys more than offset a decline in earnings from coal.

Net income from investments, which includes Anglo American's stakes in gold mines and in De Beers, the diamond mining and trading group, rose 25 per cent to R943m (R752m).

Attributable earnings were 27.8 per cent higher at R1,029m (R808m). Attributable earnings per share were 450 cents (353 cents). Equity accounted earnings per share were 657 cents (523 cents).

The dividend was raised 25 per cent to 225 cents (180 cents).

Security Pacific raises loss reserves

By Our Financial Staff

SECURITY PACIFIC, the US west coast banking group, plans to boost its loan loss provision by $500m during the current quarter, reflecting a fall in the value of its Third World loans.

The move follows last month's $3bn increase in Citicorp's loan loss reserve and will result in a loss for the second quarter of about $175m. Security Pacific now expects to post a profit for the full year of about $150m, against $385.9m in 1986.

The bank said the extra $500m would raise its reserve for credit losses to about $1.3bn, or 2.8 per cent of total loans and leases outstanding.

Reserves allocated to Less Developed Country debt represent about a third of the company's total LDC debt portfolio of $1.8bn. The company's total loan portfolio at March 31 stood at $44.4bn.

"While our LDC debt exposure is relatively small, we think that the LDC debt environment has been altered significantly given the recent actions of other major financial institutions," Mr Richard Flamson, Security Pacific's chairman, said.

Adding to its reserves would allow greater flexibility when dealing with Third World debt in the future, the company said. It intends to play a continuing role in meeting the needs of those countries.

The company, the sixth-largest US bank holding company, said it expected to continue its current dividend payment at an annual rate of $1.89 a share.

● Rainier Bancorp, which is being taken over by Security Pacific, said yesterday that it would add an extra $58m to its loan loss reserve in the second quarter for possible credit losses related to Third World loans.

This would cause a net loss of about $19m, or 87 cents a share, *for the quarter and a deficit of* $2m, or nine cents, for the half-year.

Duffour backs sweetened bid by Aga

By Sara Webb, Stockholm Correspondent

AGA, the Swedish industrial gas group, has won support from the board of Duffour et Igon in the fierce bidding for the French industrial gas producer.

Aga has already secured a 36.3 per cent stake in Duffour et Igon following its sweetened cash offer of FFr 4,410 ($735) a share which was made a week ago.

At its meeting this week, the Duffour et Igon board decided to back Aga's offer and urged shareholders to "respond favourably." The board agreed that it was in the company's interest to have only one dominating shareholder in the industrial gas sector.

Aga's sweetened offer puts a price tag of FFr 587m on Duffour et Igon and is more than double the original bid made by Union Carbide of the US. Duffour et Igon's chief attraction is that it offers a foothold in a market otherwise dominated by L'Air Liquide.

In addition to the cash offer, Aga said it would exchange one share in Duffour et Igon for one bond of nominal value FFr 4,410 issued by Aga France SA with a coupon of 10 per cent. This is expected to appeal to private investors because it offers tax advantages.

Last week, Aga agreed to acquire a 20 per cent stake in Duffour et Igon from Bank Irdi Midi-Pyrénées, a French regional *development bank*, as well as a further 15 per cent, from Carburos Metalicos, the Spanish gas producer in which air products of the US has a minority stake.

Further buying in the market has increased Aga's shareholding in Duffour et Igon to 36.3 per cent. Members of the Duffour and Igon families control about 20 per cent of the shares in the company while a further 10 per cent is owned by a Swiss group.

Theoretically there is nothing to stop the other contenders in the bidding - Linde of West Germany and Union Carbide of the US – from continuing *the fight*, provided further offers are made within 20 days of Aga's offer.

More international company news on Pages 28–30 and 45

WISCO SHAREHOLDERS PREPARE TO JUMP SHIP

Caribbean line sails into storm

BY CANUTE JAMES IN KINGSTON

A SHIPPING line owned by 12 Caribbean governments is foundering in a storm of political disagreement which could affect its future.

The West Indies Shipping Corporation, established two decades ago to help foster trade between English-speaking Caribbean countries, has been hit by the impending defection of four shareholder governments.

The four – Dominica, St Vincent, St Kitts and Belize – say they are unhappy with the quality of the services they have been getting, but company officials have suggested that the line could benefit financially from the pullout.

In implementing the instructions of its shareholders, the line calls at small ports with uneconomic tonnages. This Mr Shorman Thomas, general manager of the corporation, explained, is part of the price Wisco had to pay in attempting to foster intra-Caribbean trade.

But in real terms, the price has been a continuing call on the shareholder governments to provide subsidies to cover operational deficits. Wisco has never made a profit but has shown recently that it needs less support from its shareholders. Consequently, the company will cease receiving such suport from this year although the governments involved have agreed to continue meeting capital costs.

Wisco's 1985 deficit was US$1.18m, better than 1984 when the shareholding governments had to provide $1.58m. It needed $800,000 last year. Officials say this figure was much higher than anticipated because of several problems, including the grounding of one of its ships in the Dominican Republic. Wisco operates five container ships, two owned outright and three on charter.

WISCO FREIGHT

Year	Freight tons
1980	138,000
1981	140,000
1982	190,000
1983	169,000
1984	196,000
1985	130,000
1986	135,000

Source: West Indies Shipping Corporation

Trinidad and Tobago is the largest shareholder with 40 per cent of *Wisco's equity, followed by Jamaica* with 30 per cent and Guyana and Barbados with 10 per cent each. The remaining equity is held by Belize and by the smaller countries of the eastern Caribbean.

"We are wasting money on it if it does not serve a purpose," said Miss Eugenia Charles, Prime Minister of Dominica, announcing her government's intention to leave the company. The government of Belize said the company's ships had not been to the country for several months but that it had received bills from Wisco for several thousand dollars.

The company's managers suggest, however, that there could be financial benefit from the decision of the four shareholders. "Analysis shows that Wisco confers a greater benefit on the states that plan to withdraw, than the states contribute in financial terms to Wisco." Mr Thomas said. "If the decision of these smaller states to opt out puts Wisco in a position where it can, perhaps, be discriminatory in its service to them, then it might put Wisco in a better financial situation.

In addition to serving uneconomic ports with small tonnages sometimes offloading a single container – Wisco's operations have been compounded by other problems not of its making. In 1981 trade between the members of the Caribbean economic community – which comprises the countries which own the line – was valued at $577m. In *1982 it declined 2.6 per cent*, a further 12.7 per cent in 1983, then by 10 per cent in 1984 followed by 3.5 per cent in 1985 and 13 per cent last year.

Shippers in the region say Wisco has been affected by existing capacity of 1m tonnes in the Caribbean while cargo movement last year totalled 250,000 tonnes.

"Wisco is operating in the most difficult area in the world for shipping,"Mr Thomas said. Miss Ina Nicholson, the company's chairman, has emphasised the difficulties. "There is a very small amount of cargo being moved between these countries, and they do very little business with the more developed countries of the region.

As a result, we lose a lot of money serving these states."

Although the planned pullout of the four disgruntled shareholders will affect the line's future operations, there is yet no evidence that other countries will follow. "In recent times Wisco has been undergoing some difficulties and has suffered some decline," said Mr Errol Barrow, the Prime Minister of Barbados. "However, Barbados has no intention of joining those who have recently decided to jump ship."

But Barbados, along with the larger shareholder countries, profits most from Wisco's operations. About 85 per cent of the line's annual tonnage originates in these countries. They ar hardly likely to follow the disaffected four.

"The four major shareholders have expressed their unqualified support for Wisco, Mr Ray Adeed, the corporation's deputy chairman, said.

Mr Barrow, however, has suggested a likely solution to the lines problems: "We need urgently to establish a regional shipping service which would not be restricted to intra-regional operations. If we could find a way to pool our resources, we could form a multi-million dollar shipping line which, once efficiently managed, could adequately meet our shipping needs."

Gulf & Western forecasts record year

BY OUR FINANCIAL STAFF

GULF & WESTERN, the large US entertainment, publishing and financial services conglomerate, lifted second-quarter net earnings from $45.7m to $52.7m and predicted record results for the current fiscal year.

The latest earnings, equivalent to 86 cents a share against 73 cents a year earlier, lift 6-month profits to $122m, or $1.97 a share, from $79.9m, or $1.28.

Revenues rose from $1.73bn to $2.1bn, with a contribution of $989.9m ($863.9m) in the latest quarter ended April 30.

Mr Martin Davis, chairman, said the company's Paramount Pictures unit had strong momentum. Operations should benefit significantly from Paramount's two big summer motion pictures, Beverly Hills Cop II, which grossed $65m in its first 12 days of North American distribution, and The Untouchables, which opens today.

A substantial contribution is anticipated from the company's publishing operations in the third and fourth quarter.

Steady growth was also expected in financial services, bolstered by the acquisition in May of Fruehauf's truck trailer financing and leasing business.

In its last fiscal year ended October 31, the company earned $228.7m, or $3.66 a share, on revenues of $2.093bn.

Largest Dutch insurer advances

By Laura Raun in Amsterdam

THE Netherlands' largest insurance company, Nationale-Nederlanden, managed to lift its net income by 4 per cent to FL 117m ($57m) in the first quarter from FL 112m a year earlier, in spite of currency-depressed revenue.

Smaller losses in its non-life business and lower taxes helped reverse the 2 per cent drop in revenue to FL 4.77bn from FL 4.88bn. The strong guilder has depressed turnover across the Dutch insurance industry by eroding revenue when translated from local currencies.

Nationale-Nederlanden, which is the 12th largest insurer in the world, said the first-quarter results were in line with expectations and repeated its prediction that per-share profit and revenue for the whole year would about match that of 1986. Last year the company made FL 5.79 a share.

Losses in non-life lines fell to FL 37m from FL 47m on higher income from liability coverage in Europe and the US and less red ink in auto insurance in the Netherlands.

Dutch car insurance has suffered under a torrent of petty crime, but higher premiums and a halt to no-claims bonuses are expected to improve the overall FL 9.9m loss in non-life business last year.

Operating income in life insurance fell 7 per cent to FL 72m on the steeper costs of new business in the Netherlands and Belgium, narrowing interest-rate margins and investments in Spain and Japan. The Dutch insurer launched life insurance operations in Japan last year and is actively expanding in Spain while keenly promoting retirement contracts at home.

In reinsurance and investments operating income slipped 2 per cent to FL 121.5m on weaker currencies, mainly the US dollar, Australian dollar and pound sterling, against the guilder.

Premium income in both life and non-life insurance declined outside the Netherlands but rose 8 per cent inside Holland. When disregarding currency factors turnover grew 6 per cent.

Bankers acquire Computerland

BY LOUISE KEHOE IN SAN FRANCISCO

COMPUTERLAND, the US personal computer retailer, yesterday said it had been acquired by a private investment group led by E.M. Warburg, Pincus & Co, New York investment bankers.

The computer store franchise organisation, which claims to be the world's largest retailer of personal computers with 800 stores and sales last year of $1.45bn, has been seeking a buyer for the past year since the company's founder and majority stockholder, Mr William Millard, said he planned to sell.

Terms of the transaction were not revealed, but industry reports suggest that Warburg Pincus paid about $250m for 80 per cent of Computerland stock. The remainder stays in trust, pending the outcome of a legal dispute between Mr Millard and Micro/Vest, a group of investors.

Micro/Vest won a suite against Mr Millard 18 months ago awarding a 20 per cent stake in Computerland to Micro/Vest along with $141m in punitive damages. Mr Millard is appealing and depending on its outcome either Micro/Vest or Mr Millard will remain minority owners of Computerland.

Warburg Pincus is one of the largest US venture capital firms with money management and venture funds totalling around $5bn.

"They are going to bring capital resources and business experience to the company," Mr Ken Waters, Computerland president, said. "We are very pleased to be associated with them."

Computerland franchises also welcomed news of the sale, expressing the hope that the new company owners would make much needed investment to shore up the computer store chain which has seen its market share reduce over recent years.

Computerland officials said the Warburg Pincus group is not expected to initiate management changes at the company and has no plans to take the company public although in the past the company has discussed plans for a public offering.

Fresh bid made for Crazy Eddie

By Our Financial Staff

A RIVAL bid from Entertainment Marketing has emerged for Crazy Eddie, the New York consumer electronics retailer which last month received an unsolicited $219m offer from its eponymous chairman, Mr Eddie Antar.

Entertainment Marketing, a Houston-based concern chaired by Mr Elias Zinn, is offering $8 apiece for all Crazy Eddie's outstanding shares, compared with the $7 offered by Mr Antar.

Entertainment said the offer would be conducted through a negotiated merger with a new corporation to be formed by Entertainment Marketing. It has requested an early meeting with Crazy Eddie Inc's board and said it had committed $50m toward the purchase of the shares, including a 4.3 per cent stake already bought.

Travel link for Stad Rotterdam

BY OUR AMSTERDAM CORRESPONDENT

STAD ROTTERDAM, the sixth-largest insurance company in the Netherlands, is buying a 20 per cent stake in Europeesche Verzekering Maatschappij, a Dutch-based travel and recreation insurer belonging to Union Ruck Versicherungs-Gesellschaft of Zurich.

The Swiss insurance company is hoping that co-operation with Stad Rotterdam will help turn around Europeesche Verzekering, which suffered losses in 1985 and 1986 but is expected to return to the black this year. No purchase price was disclosed, but Europeesche Verzekering has premium income of Fl 150m ($75m).

The acquisition will take effect of July 1 and opens the door for greater co-operation in the future, Stad Rotterdam said. It now operates almost entirely in the Netherlands

The large Dutch insurance companies have been spreading their tentacles throughout Western Europe in anticipation of the European Community's liberalisation of financial markets, including insurance services. With huge sums to invest, they need markets bigger than their relatively small home base.

Stad Rotterdam, with premium income of of Fl 1.17bn last year, sells life and non-life insurance as well as home mortgages. It has grown rapidly in recent years thanks to domestic acquisitions, a good record in non-life lines and insulation from foreign exchange pressures.

Borden to buy grocery groups

By Our Financial Staff

BORDEN, the US products and chemical group, is acquiring Prince, a major Massachusetts-based pasta producer, and three other grocery products companies for $180m.

Borden said the four companies were expected to have 1987 sales totalling $230m. Prince, which also produces Italian food sauces, is expected to account for $210m.

Borden had been expected for some time to make a major acquisition, and the Prince purchase represents a big expansion of its pasta business.

Borden said the other three companies being acquired were Steero Bouillon of New Jersey, Blue Channel, a South Carolina producer of canned crabmeat, and the canned shrimp products line of DeJean Packing Biloxi, Missouri.

U.S. $45,000,000
Oxford Acceptance Corporation II
Floating Rate Notes due December 1993

Notice is hereby given that the Rate of Interest has been fixed at 7.5625% p.a. and that the interest payable on the relevant Interest Payment Date, December 3, 1987, against Coupon No. 2 in respect of U.S.$500,000 nominal of the Notes will be U.S.$19,221·35.

June 3, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US$125,000,000
First Chicago Corporation
Floating Rate Subordinated Capital Notes Due December 1996

Notice is hereby given that the Rate of Interest has been fixed at 7⁷⁄₁₆% and that the interest payable on the relevant Interest Payment Date, September 3, 1987 against Coupon No. 3 in respect of US$100,000 nominal of the Notes will be US$1,900.69

June 3, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

DP ENERGY RESOURCES GROWTH FUND N.V.
formerly named
Viking Resources International N.V.
Curaçao, Netherlands Antilles

Notice of Annual General Meeting of Shareholders

Notice is hereby given that an Annual General Meeting of Shareholders has been called by the Manager, Caribbean Management Company N.V.
The Meeting will take place at John B. Gorsiraweg 6, Willemstad, Curaçao, Netherlands Antilles on 18th June, 1987 at 10.00 a.m.
The agenda may be obtained from the offices of the Company at John B. Gorsiraweg 6, Willemstad, Curaçao or from the Paying Agent mentioned hereunder.
Shareholders will be admitted to the meeting on presentation of their certificates or of vouchers, which may be obtained from the Paying Agent against delivery of certificates, on or before 11th June, 1987.

Caribbean Management Company N.V.

Willemstad, Curaçao,
2nd June, 1987.

Paying Agent:
Pierson,
Heldring & Pierson N.V.
Herengracht 214,
1016 BS Amsterdam.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Eurodollar sector slides on US economic doubts

BY CLARE PEARSON

THE ANNOUNCEMENT that Mr Paul Volcker had declined reappointment for a third term as chairman of the US Federal Reserve Board, and Mr Alan Grenspan would succeed him, sent prices in the Eurodollar bond market tumbling yesterday.

Price markdowns of more than one point paralleled those in the US Treasury bond market as dealers sought to maintain existing yield relationships between the two markets.

Dealers described the markdown as a shocked reaction to the increased uncertainty about US economic policy, and trading was almost entirely confined to professionals.

The ther currency sectors of the Eurobond market initially eased in sympathy, although later registered small price gains, benefiting from the fall in the dollar against major currencies. Euroyen bonds, for instance, gained about ¾ point in price towards the close.

This provided a tough background for a $100m bond for RJR Nabisco, the US tobacco and food company, launched ahead of the announcement. The bond was quoted less 2⅜ bid during the afternoon, although dealers said it had slightly outperformed the comparable US Treasury bond at that stage.

The 8½ per cent deal, launched by Bank of America International, was structured with a put option after four years but a final maturity after seven, to be viewed as a four-year bond providing an option on interest rates thereafter.

The deal, priced at 101½, initially provided a yield to the par-priced put of 8.33 per cent, less the full fees. This represented a margin of 67 basis points over the comparable US Treasury bond. The yield margin to maturity was about 42 basis points.

Elsewhere, Nomura International found a fair response for its Y80bn bond for Canada, likely to be seen as a new benchmark in the sovereign debt sector of the Euroyen market. The five-year 4⅝ per

INTERNATIONAL BONDS

cent deal, priced at 101½, was quoted at less 1⅞ bid, the level of its full fees.

News of Mr Volcker's departure, and rumours that an opinion poll later in the week would show a weakened position for the Conservative party, weakened the gilt market, although the Eurosterling market remained largely unaffected in low turnover.

County NatWest Capital Markets' £50m 10-year deal for the Asian Development Bank, priced with a 9½ per cent coupon and 101½ issue price, attracted little interest from investors although dealers said it should attract Japanese interest if they renew buying of sterling securities after the June 11 general election.

The mandate for the deal had been awarded as a result of intense competitive bidding, but dealers said the bond was not over-tightly priced at an initial net yield of around 38 basis points over comparable gilts. The bond was quoted at less 2 bid, the level of its total fees.

Three new five-year, par-priced equity warrant bonds for Japanese companies emerged. Yamaichi International (Europe) led a $100m deal for Canon Sales, the marketing arm of the camera company, with a 1⅞ per cent indicated coupon, and a $200m deal for Mitsubishi Corporation, with its coupon indicated at 1⅞ per cent. Both these deals were quoted at prices over par.

Nomura International, however, found a weak response to its $100m deal for Minebea, the ball-bearings company, with a 1⅝ per cent indicated coupon. This was affected by concerns about the company's relatively high proportion of overseas sales, exposing it to the strengthened yen. The deal was quoted as low as 90 against a par issue price.

Daiwa Singapore led a $100m Asian tranche of the same issue, on identical terms.

EBC Amro and Hambros Bank led a NZ$65m two-year 18½ per cent issue for Unilever Capital Corporation, priced at 101½.

The West German bond market showed a firmer tone in limited trading, helped by a weakening of the dollar. Dealers do not expect activity to pick up much before next week's economic summit in Vienna.

A DM 200 issue for Degussa, the West German metals and trading group, firmed slightly to be quoted at a discount within its 2½ per cent fees. The 10-year, par-priced issue carried a coupon of 6¼ per cent.

Swiss bond prices were little changed in secondary market trading.

Sumitomo Trust in Scottish fund link

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SUMITOMO Trust and Banking Company is to set up an international fund management company jointly with Ivory and Sime, the Edinburgh investment house.

The company, Sumitrust Ivory and Sime, is thought to ze the first fully fledged international fund management company to be jointly owned by British and Japanese partners. Its main aim is to invest Japanese institutional funds in European equity markets.

The creation of Sumitrust Ivory is a considerable coup for Scotland, which fort he past year has been promoting itself as a centre of investment expertise independent from London.

Sumitrust Ivory should have $100m in funds under management by the end of this month, and expects to double this within six months. It will be run by two Japanese and two Scottish executives.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 7⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chugoku Electric 5 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.74
Credit National 4⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark, Kingdom 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Electric 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 4⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Salomon and Russell launch Global index

By Barry Riley

AN ADDITION to the increasingly crowded field of global equity indices was launched yesterday as a joint operation by Salomon Brothers, the New York-based investment bank, and Frank Russell, the US pension fund consultants.

The Salomon-Russell Global Equity Index is the result of a combination of an existing US domestic index, the Russell 1,000, and a series of new national indices covering 23 countries other than the US.

It joins the long-established Capital International World Index, now owned and operated by Morgan Stanley, another US-based investment bank, and two newer index series, also launched this year in response to the growing interest in global equity investment.

These are the FT-Actuaries World Indices, a joint compilation of the Financial Times, Goldman Sachs, Wood Mackenzie and the Institute of Actuaries and the Faculty of Actuaries, and the Euromoney/First Boston Global Index.

The Salomon-Russell Global Index is based upon 1,572 underling stock prices, including 1,000 in the US and 163 in Japan. There are 18 countries represented individually, and six more are represented through two composite indices, "Small Europe" and Singapore/Malaysia.

The Salomon-Rusell Global Index is said to provide investors with an adjusted measure which will resolve some of the problems of global investment, including legal limitations on overseas investors, distortions arising from cross-holdings, and the presence of large Government holdings which are available to investors.

Swedes protest over foreign investment drain

By Kevin Done, Nordic Correspondent in Stockholm

FOREIGN INVESTORS trading in Swedish shares have moved a significant part of their transactions away from Stockholm to international financial centres, chiefly London and New York, following the doubling last year of the turnover tax on share trad'ı.g.

Swedish banks and stockbrokers are stepping up pressure on the country's Social Democratic Government to have the tax removed on share dealings with fo:eign investors.

According to a report from the Swedish Association of Share Promotion the volume of share trading with abroad has plunged by 25-40 per cent following the doubling of the tax from 1 to 2 per cent with effect from the beginning of July last year.

Swedish brokers claim that transaction costs in London are now a third of the level in Stockholm.

The report says that the transfer of Swedish share trading to markets abroad has cost the country some SKr 4bn-6bn ($628-942m) in lost currency inflows, and that the authorities are losing control and insight into the sharply rising volumes of Swedish equities traded abroad.

Turnover of trading in shares with foreign investors from Stockholm fell to SKr 12.4bn in the second half of last year after the turnover tax had been doubled compared with SKr20.4bn in the first six months.

If trading this year continues at the level reached in the first four months turnover for 1987 with foreign investors would total only SKr 24bn compared with SKr 32.7bn in 1986.

Mr Björn Karlin, managing director of the share promotion association, said the loss of foreign trading accounted for almost all of the 18.8 per cent drop in turnover on the Stockholm stock exchange in the first five months of this year.

Japan to buy $166m of US Eximbank loans

By Yoko Shibata in Tokyo

THE JAPAN Development Bank has agreed to buy $166m of loans made by the US Eximbank to two Japanese airlines. An official of the state-owned JDB said the move was to help reduce the huge US budget deficit.

The loans purchase is the first to have materialised since President Reagan in his US budget message early this year said that $1.5bn of outstanding Eximbank loans would be sold to foreign government banks to reduce Federal budget deficits.

The loans, initially guaranteed by the JDB, were extended to All Nippon Airways and Toa Domestic Airlines to finance imports of US-built aircraft.

COB calls for more safeguards

BY GEORGE GRAHAM IN PARIS

THE COB, France's stock exchange watchdog authority, has issued a warning on the dangers the Paris market faces following its rapid modernisation and reform.

In its annual report published yesterday, the COB called for reinforced measures to protect savings and provide information to investors.

Abusive defence mechanisms introduced by companies to guard against takeovers come under attack in the report, which proposes measures to guard the rights of existing shareholders when companies issue new forms of paper such as share warrants.

The COB warned that the conflicts of interest were now more dangerous than in the past.

"There are now more opportunities for the undue use of confidential information and they can be significantly more lucrative than in the past," it said.

A number of measures aimed at reinforcing financial ethics are to be included in the Bill to reform the structure of the Paris stock exchange, but the COB emphasised the need for recognition of the major ethical principles: the obligation to exercise due diligence; priority to the client's interests; best possible execution of orders; independent management of incompatible activities, such as banking, market-making, discretionary fund management; and barriers to the undue circulation of confidential information.

The COB said the French stock exchange was on its way to solving some of the technical problems that have afflicted it, as the huge increase in trading volumes has slowed down settlement procedures. Total turnover on the Paris exchange passed FFr 2,000bn ($327.33bn) last year, nearly four times the level of 1984.

Delays in executing orders should now be acceptable, the COB said, and by 1989 delays in delivery and setlement of shares should not exceed five days.

Less progress has been made in speeding up the publication of company accounts.

Only 22 per cent of quoted companies published their provisional 1986 accounts within four months of their year-ends, as they are supposed to do, the COB complained.

By May 15, more than half of the companies whose financial years ended on December 31 had still not reported their earnings, and the commission had to issue a warning circular to slow companies.

Further complaints were registered about the slowness with which companies publish relevant information about their trading position, and about the practice of giving profits ofrecasts to small groups of analysts or investors without arranging for simultaneous publication of these forecasts.

The watchdog role of the COB expanded last year. It received 2,300 complaints from investors and carried out 69 inquiries into companies—more than double the number it undertook in 1985.

Three cases—Generale de Fonderies, a subsidiere of Fives-Lille in the Paribas group; Financiere de Rosario; and Motobecane—were passed on to the courts.

French bank quits Czech deal

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

A $200m international financing for Czechoslovakia goes into syndication today after a wrangle among the loan's lead management group led to the withdrawal of one French bank and its replacement with another.

Austria's largest bank, Creditanstalt, was mandated to raise the credit—its bid helped by its recent opening of a representative office in Prague—and undertook to put in place a group of five banks to underwrite the deal.

The final group also comprises Banque Nationale de Paris, Deutsche Bank, Fuji Bank and Bank of Tokyo, the Japanese co-ordinator.

However, BNP only came in to the deal after Societe Generale, citing a senior management decision, withdrew in the midst of talks late last week. The withdrawal delayed by the syndication ofthe credit by a few days.

The terms of the loan—⅛ point over London interbank offered rates over 10 years with eight years' grace—were widely regarded as aggressive

The terms were not, however, the reason for the bank's decision to withdraw, bankers in Paris said. Instead, there were apparently differences with the Austrian bank on Societe Generale's role in the facility. "It was a question of visibility," said one.

The deal is one of the tightest priced loans for Eastern Europe ever to reach the Eurodollar credit market, with an all-in cost to the Czechs similar to a recent $200m loan for Vneshtorgbank of the Soviet Union.

Portuguese group seeks $250m

BY OUR EUROMARKETS CORRESPONDENT

COMPANHIA Nacional de Petroquimica, Portugal's troubled state petrochemicals concern, has named two US banks to arrange a $250m loan to refinance its non-yen foreign debt.

Bank of America International and Manufacturers Hanover said they had been mandated to arrange the deal, which, with a yen refinancing being handled separately by Japanese banks, will clean up the company's balance sheet.

CNP is widely regarded as the most embattled of Portugal's state enterprises and its long-term future is highly uncertain despite the better operating environment brought about by the drop last year in oil prices. For this reason, the refinancing loan is covered by what bankers called "a letter of support and assumption" from the Government.

Bankers said this government undertaking to assume the debt should it become necessary has allowed the company to obtain fine terms on the eight-year financing, which will be underwritten.

It carries an interest margin of 12.5 basis points for the first four years, and of 15 basis points for the final four. A commitment fee of ⅛ per cent is payable, and banks are initially being invited to join at a $25m level.

These terms, which compare with 15 basis points paid on a recent refinancing by Eletricidade de Portugal, seem certain to be regarded by bankers as tight. There were, however, said to have been offers from at least two other bank groups which were as fine or finer than those of the winners.

The loans to be refinanced by the deal carried margins of between ⅛ and ⅜ percentage point. Not all were expressly backed by the Government.

Convertibles for ABN to raise Fl 720m

By Laura Raun in Amsterdam

ABN, the Netherlands' largest bank, is launching a Fl 720m ($350m) issue of convertible preferred shares, which is by far the biggest such offering ever made in Amsterdam.

Convertible preferred shares are relatively new to the Dutch market, although last year Holland American Lines, the cruise line company, came with an offer. ABN will announce today how it will use the proceeds.

Some 15m shares are being offered at Fl 48 with preferential rights for existing shareholders under which two ordinary shares entitle the owner to subscribe to three preferred shares.

Each preference share will be convertible into one common and the conversion stands to increase ABN's outstanding equity by about 15 per cent, although the dilution will be greater after a share split this year.

All Dutch banks have been under pressure from the central bank to increase their capital as a way of maintaining sound balance sheets amid growing competition. ABN is currently involved in a Fl 100m project to modernise its domestic branches with computers and has been expanding rapidly in the US in expectation of deregulation there.

INTL. COMPANIES and FINANCE

Equiticorp in counter-bid for Monier

BY CHRIS SHERWELL IN SYDNEY

EQUITICORP TASMAN, the Australian investment arm of New Zealand's Equiticorp Holdings, yesterday launched an aggressive counter-bid for Monier, the building products group which is 49.9 per cent owned by Redland of the UK and is currently being sought by CSR.

The offer is A$4.15 cash for each Monier share, with an alternative of three Equiticorp Tasman shares plus 82 cents for each Monier share. It values Monier at A$647m (US$462.1m) and has no minimum acceptance conditions. The target company's independent directors recommended acceptance shortly after receiving it.

Equiticorp Tasman, which is headed by New Zealand entrepreneur Mr Allan Hawkins, currently owns 14.9 per cent of Monier following heavy purchases since Thursday last week.

Approval from the Foreign Investment Review Board is needed to increase the stake. Because of Monier's US interests, the offer is also subject to US anti-trust clearances. Mr Hawkins said again yesterday that the Monier shareholding was a long-term investment.

CSR, the sugar, building materials and resources group, last month offered A$3.80 for each Monier share with an alternative of four CSR shares and A$2.75 cash for every five Monier shares. Its bid has had Redland's support.

Although Equiticorp has its own New Zealand building products company in the form of Feltex and has long expressed interest in establishing an industrial base in Australia, its entry into the Monier equation has surprised analysts as well as CSR.

Yesterday CSR said Equiticorp could not secure full control of the company because CSR and Redland were already in association and in control. He implied that Equiticorp's offer was too high, saying CSR would not be paying an inflated price for Monier.

One possibility is that Monier is not Mr Hawkins' real target. Some analysts feel CSR itself is a possible takeover objective. Mr Ron Brierley, another New Zealand entrepreneur, has 5 per cent of CSR, and another share block is tied up in option deals.

Okuma tools up for the US

By Peter Marsh, recently in Nagoya

VISITORS to one of the world's biggest machine-tool factories, which is run by Okuma Machinery Works on the outskirts of Nagoya, cannot fail to be impressed by the vases of flowers with which workers have added a dash of colour to their surroundings.

The plant, completed in 1982, turns out each year roughly 6,000 computerised tools, some of them the size of a small house. The tools, which are mainly machining centres or lathes, sell on average for about $100,000 each.

The groups of flowers have gone down well with Mr John Hendrick, a veteran of the US machine tool industry who is in charge of Okuma's US subsidiary. Mr Hendrick is currently occupied with overseeing a $30m investment by Okuma in its first US manufacturing facility, which has just started up in Charlotte, North Carolina.

Okuma expects the US plant, which like the Nagoya facility will be highly automated, to employ 120 people by 1989, at which point it should be turning out machine tools worth about $50m a year. Mr Hendrick thinks it is not beyond the realms of possibility that staff at the US plant will bring flowers into their factory too.

"We want to be know as an American company," said Mr Hendrick, who joined Okuma seven years ago after working for American Machine Tool and Moog, two US machine tool concerns. "But the advantage that Japanese management gives us is a better work ethic and a dedication to the company as being part of the family rather than being just a place to work."

The move by Okuma into US manufacturing follows similar forays by others among Japan's top makers of machine tools. In the past few years Mazak, Mori Seiki, Toyota and Amada have all announced such plants, largely in a bid to reduce exports and so cope with the effects of the high yen and to ward off the threat of protectionist legislation by the US Congress.

In the past few years, Okuma has strongly increased its presence in the US, where its sales from overseas, are total output. The company claims 11 per cent of the US market, estimated to be worth about $1bn, for computerised lathes and machining centres.

As the high yen and voluntary reductions in exports have made their mark, Okuma's financial performance, in common with that of other big Japanese manufacturers, has suffered. Sales in the year to March were down 26 per cent to Y77bn ($530m), with net profits showing a 76 per cent fall to Y1.2bn.

Output and profits of Okuma, which is used to gaining half its sales from overseas, are expected to be even lower in the current year. The problems facing Okuma are in marked contract to the unrestrained growth which the company enjoyed during most of the 1980s. In the seven years from 1979, annual sales virtually quadrupled.

Although Mr Yutaka Maeda, a senior director of Okuma, admits that times are hard, he says the company is keeping its research and development R&D spending the same level as in the boom years, as a way of attempting to stay competitive with rivals such as Cincinnati Milacron and Cross and Trecker of the US and Hitachi Seiki, Mori Seiki and Mazak of Japan.

According to Mr Maeda, who is Okuma's managing director in charge of engineering, R&D spending as a proportion of sales stood at 3.6 per cent last year, as compared to 3 per cent the year before. Out of 1,800 employees, 250 work in R&D, both in mechanical aspects such as the design of new spindles and in electronics engineering related to tool controls.

Unlike most machine tool makers, Okuma makes its controls itself, rather than buying them from outside concerns such as Fanuc, the world's biggest maker of electronic controls for machine tools.

Japanese drug makers ahead

BY YOKO SHIBATA IN TOKYO

JAPAN'S seven leading pharmaceutical makers scored higher-than-expected sales and profits in the year to March, buoyed by an absence of cuts in official prices they are paid for drugs under the national health insurance programme.

Other than Taisho Pharmaceutical, the companies sell as much as 85 per cent of their output to hospitals, and government cuts in so-called reimbursement prices had become a feature of recent years.

With negligible exports, the seven took advantage of the yen's rise through lower costs of imported raw materials.

Daiichi Seiyaku reported the steepest increase in sales and profits among the seven makers, ascribing it to a substantial decline in the cost-to-sales ratio due to brisk sales of high-yield products. Daiichi also cited its improved financial position as a result of effective management of low-interest funds.

Eizai reported its first rise in pre-tax profits in four years, following brisk sales of new drugs for hospital use. Fujiswa also attributed its double-digit growth to strong sales of newly marketed drugs as well as cost-cutting efforts.

The drug makers face another reduction in reimbursement prices in April 1988, and in the year to that date they project modest growth in sales and profits.

JAPANESE PHARMACEUTICAL PRODUCERS
Parent company results, year to March 1987

	Sales		Pre-tax Pprofits		Net Profits	
	Ybn	%	Ybn	%	Ybn	%
Takeda Chemical	496.68	+ 3.3	56.25	+10.5	22.3	+10.8
Sankyo	279.66	+ 8.9	26.14	+ 6.6	9.39	+ 8.5
Shionogi	200.2	+ 2.5	27.68	+17.8	9.22	+14.1
Fujisawa	172.68	+ 1.7	18.89	+11.6	5.72	+ 5.1
Eizai	150.45	+ 9.2	22.2	+35.2	6.14	+23
Daiichi Seiyaku	130.53	+21.5	28.81	+63.2	10.94	+68.7
Taisho	116.36	+ 3.3	31.6	+ 5.1	14.21	−13.3

Fujitsu net profits down 44.5%

BY OUR TOKYO STAFF

FUJITSU, the largest Japanese computer maker, yesterday reported consolidated net profits for the year to March down 44.5 per cent to Y21.61bn ($148.6m), due to a poor performance by both the parent and its subsidiaries.

However, it foresees a 76 per cent recovery to Y38bn in the current year as it continues to weed out deficit-laden subsidiaries from its balance sheet, bringing the number of these down from 19 to seven.

In the past year, domestic sales firmed on telecommunications equipment orders related to Nippon Telegraph and Telephone. But the group was adversely affected by the yen's appreciation and semiconductor trade friction with the US. Consolidated sales none the less totalled Y1,789.4bn, up 5.8 per cent.

The sharp fall in net profits was attributed chiefly to a steep earnings fall for Fanuc, Advantest and other major offshoots, as well as losses at Fujitsu General.

In the current year, consolidated turnover is expected to rise by 14 per cent to Y2,040bn, helped by an 18 per cent advance in telecommunications, a 15 per cent increase in data processing equipment and a 6 per cent rise in electronic devices.

Drop for Japan's shipping lines

BY OUR TOKYO STAFF

RESULTS from Japan's six major shipping companies deteriorated further in the year to March as all except Nippon Yusen (NGK) suffering an operating loss, marking the worst ever outcome since the Second World War.

The prolonged maritime recession plus the impact from the yen's steep appreciation on dollar-denominated freight revenue eroded earnings, which could not be covered by rationalisation measures such as staff cuts and the disposal of unprofitable vessels.

The six lines have encountered recession simultaneously in their three main divisions — sluggish liner operations caused by intensified competition on North American services; over capacity in packaged freight; and a slack tanker market.

NYK said the yen's appreciation cut its own revenues by Y90bn ($618.6m). Partly offsetting this, NYK earned Y6bn from securities investment and Y4.1bn from property sales. Its steep fall in net profits was attributed to a special loss of Y5.6bn from the disposal of unprofitable vessels.

The company dipped into reserves to maintain a dividend at Y4 per share for the year, the highest among the six lines. NYK said the shipping market would remain slack over the next two or three years, and it is not certain it can keep its dividend at the present level.

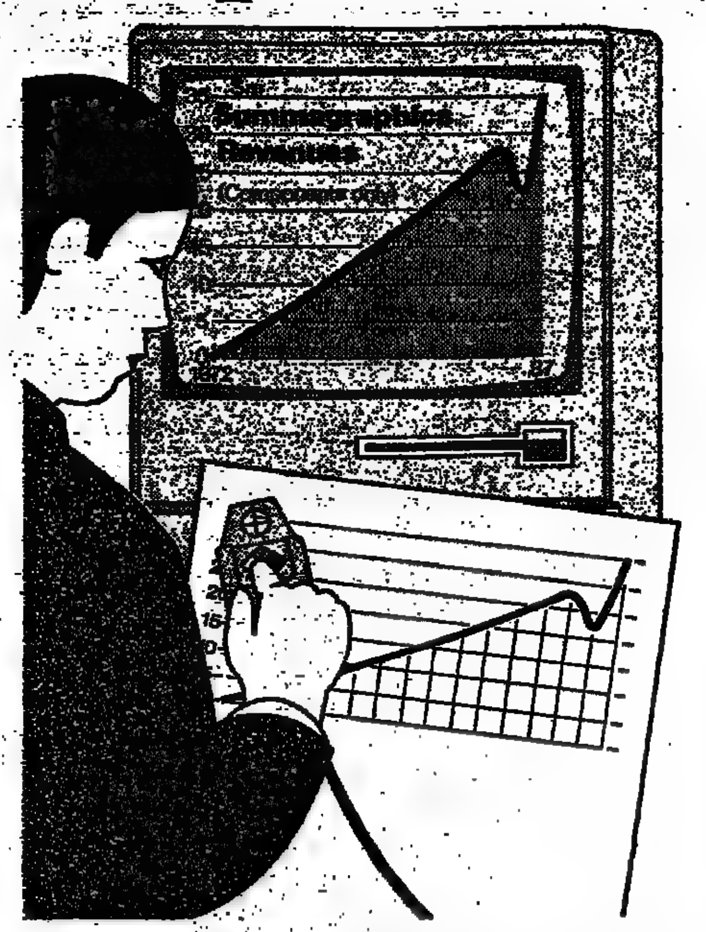
Mitsui OSK Line (MOL) is passing its dividend payment for the first time in 21 years. MOL incurred an operating loss of Y6.1bn, the first deficit in nine years.

JAPANESE SHIPPING LINES
Parent company results, year to March 1987 (March 1986)

	Sales Ybn		Pre-tax profits Ybn		Net Profits Ybn	
NYK	416	(549)	9.46	(13.54)	0.27	(4.01)
MOL	360	(493)	3.13	(10.15)	− 1.19	(3.88)
K-Line	289	(377)	6.38	(4.89)	− 6.95	(− 1.35)
YS-Line	123	(179)	− 7.93	(− 4.76)	−10.48	(− 3.70)
Japan Line	129	(185)	−19.23	(− 9.51)	− 3.79	(−13.53)
Showa	103	(146)	− 5.96	(− 1.90)	−14.32	(− 3.20)

TECHNOLOGY

A spoonful of terror helps the firm turn round



The digitiser (not unlike a mouse) is used to convert a hand drawing into a form which can be manipulated on a computer screen.

Alan Cane on the remarkable recovery of Summagraphics—the latest success for William Lifka

THE CHANGING fortunes of Summagraphics, a privately owned electronics company based in Fairfield, Connecticut, seem typical of a generation of US high technology companies formed in the early 1970s.

Initial success generated by first-rate technology and a clear-cut market niche all too often gave way to over-ambition and financial disaster. That was certainly true in the case of Summagraphics.

Now, however, it seems well on the road to recovery even if Mr William Lifka, its president and senior executive officer, smiles grimly as he agrees the company will not pay a cent of US tax until 1991 because of its losses in preceding years.

Mr Lifka is credited with breathing new life into Summagraphics, the twenty-first such turnaround, he reckons, that he has accomplished over the years.

Immediately before the move to Fairfield, he had been concerned with the revitalisation of three ITT subsidiaries, ITT Courier Systems of Phoenix, Arizona, ITT Automotive Electrical Products of Detroit and finally ITT Communication Services, where he was a corporate vice-president and group general manager.

For all its problems, Summagraphics is a world leader in highly specialised kinds of electronic component, digitising tablets and pointers, which are the key to the computer-aided design business.

Digitisers are used to convert hand drawings into a form in which they can be manipulated on a computer screen. Typically they consist of a tablet on which the sketch is laid and a hand-held pointer which follows the lines of the sketch.

The digitising pointer is not unlike the "mouse" used in personal computer systems. Summagraphics, indeed, makes a very superior pc mouse. Mr Terence Harris, group managing director for Summagraphics in Europe, the Middle East and Africa, explains the difference: a digitiser always knows where it is relative to its point of origin; mice get lost if they are lifted off the table surface.

Summagraphics' early success was due to the upsurge of interest in computer-aided design (CAD) in the 1970s. Selling chiefly to other manufacturers to be built into their CAD systems, the company's products were marvels of electromechanical design.

According to Mr Lifka, the digitising tablets were "woven like looms and tuned like harps."

They were a monument to the work of the late Dr Al Whetstone, professor of physics at Yale University and founder of Summagraphics.

The company prospered so that by 1978 it was turning over some $12m (£7.4m). Then, in Mr Lifka's words, it made "a terrible strategic blunder." It decided to move from components to systems through the purchase from the Bendix Corporation of its CAD systems business.

In one fell swoop it:

- found itself in competition with its own customers, the established CAD systems builders;
- brought about a state of corporate schizophrenia in the company as it wrestled with the unfamiliar problems of selling systems rather than components;
- became committed to enormous investments to stay in touch with the league leaders, IBM, Computervision and Intergraph.

Over the next six years it was to pour $20m into the systems company financed partly from income, partly from venture capital.

Inevitably the company's profitable core business in digitisers suffered as the management struggled with its troublesome acquisition.

Research was neglected and product development went by the board. Management discipline was lax and delivery dates allowed to slip—by as much as a year in some cases.

Inevitably revenues slipped and the company started losing money at an alarming rate.

A professional manager was brought in to replace Dr Whetstone, but he lasted only a short time. Mr Lifka arrived in March 1984.

His recovery strategy comprised three principal elements: amputation of the loss-making systems company through a leveraged management buy-out, rejuvenation of the ageing product line and cutting manufacturing costs.

The systems company was brought from making substantial losses to break-even in a year prior to the buy-out.

> 'A digitiser always knows where it is; mice get lost if they are lifted off the surface'

Mr Lifka reckoned it was targeting the wrong customers in the wrong places. He forced the company to focus its attention on the profitable general CAD area and away from the glamorous and exciting areas of architectural engineering and electronics design that had been its main preoccupations until then.

He also stopped it dissipating its sales efforts in the Far East and Europe and forced it to concentrate on the US's industrial belt, from the Great Lakes through New England and on to Texas.

Improving and modernising the product lines was hindered by the presence in the engineering team of older technologists wedded to electromechanical mechanisms. "Some," Mr Lifka says, aghast, "did not even know about Federal radiation emission control regulations."

Manufacturing costs were cut by redesigning all the products to suit new production lines. Equipment designed for the lower end of the market—chiefly equipment planned to work with personal computers—was contracted offshore to the South Korean firm, Hyundai Electronics Industries.

High end equipment was manufactured both in South Korea and the firm's Fairfield plant. It meant eliminating 275 jobs in the US, but Mr Lifka reckons he has already achieved a 42 per cent reduction in manufacturing costs.

A final move was to open up new distribution channels. Now sales are roughly 50/50 directly to other equipment manufacturers and through distributors.

Mr Lifka is personally charming, but his manner betrays the toughness which has enabled him to bring so many companies through moments of crisis. Last year he told a journalist: "In the beginning you have to be dictatorial. We used the terror aspect to achieve a smooth transition. That may sound Machiavellian, but it is really in line with human nature."

- SUMMAGRAPHICS has been a pioneer in digitising technology since its foundation in 1972. Bit Pad, its low-priced digitising tablet, has become a generic term in the same way as Centronic's printer interface and IBM PC.

Its latest product range includes low end products, such as MacTablet and SummaSketch designed for screen cursor control, data entry menu and graphics input.

At the professional end of the market, the Microgrid Series gives the designer an area of up to 42 ins by 60 ins with which to work.

Summagraphics' latest contribution to digitiser technology is called "charge ratio." According to the company's chief technical officer, Mr Paul Smith, the system is based on a capacitive approach. Ratios, rather than absolute value, are sensed.

This solves the problems of signal strength variation, which had handicapped earlier attempts to harness this technology to digitising. Among the advantages are low cost, low power and the potential use of a transparent stylus or cursor.

The company has also developed the SummaMouse, a personal computer mouse which "sees" its position on a special pad using a pair of optical sensors.

Superconductivity race hots up

ARGONNE National Laboratory, Illinois, which is funded by the US Department of Energy, has been given the goal of producing within five years a practical superconducting wire (one that will lose virtually all resistance to the flow of electrical current) at liquid nitrogen temperatures.

When this happens—and most of the world's major electrical laboratories are working on it—there will be dramatic developments in the world of electrical engineering. These will range from very small but extremely powerful electric motors to compact electromagnetic systems that will make levitated railway trains an economical proposition. Any electrical device that suffers a performance degradation due to lost energy in the form of heat (due to resistance) will be radically improved.

Previous materials (the work goes back to 1910) have needed cooling in liquid helium to become superconductive at temperatures approaching "absolute" (zero degrees Kelvin, or minus 273 deg C). Such systems would be impossibly expensive and awkward, but the idea began to leave the novelty stage last year when there was a flurry of announcements about new ceramic materials from Tokyo, China, the US and West Germany that pushed the temperature up towards 100 deg K, or minus 173 deg C.

Toshiba of Japan, for example, now has an yttrium barium copper oxide ceramic that produces current densities of 500 amperes per square cm.

But Toshiba says the materials are too brittle at the moment and that their level of stable superconductivity needs to be nearer 10,000 amps/sq cm for worthwhile exploitation.

All the world's teams are now seeking to raise both the level of conductivity and the operating temperature. Cooling by liquid gas is cumbersome from the engineering standpoint, so the winner of the race will be the team that gets near enough to room temperature with a high enough current to warrant commercialisation.

Instant typing with a pen

THOSE WHO cannot type—or who simply refuse to learn—might find salvation in a machine from France that turn their handwriting into typescript on a computer screen and print it out.

Personal Writer from Anatex of Paris consists of a graphics tablet on which the user writes with a special pen, together with some software that works on an Apple Macintosh personal computer.

First, the user has to "teach" the machine what his writing is like by penning the alphabet on the tablet and telling the computer, via the keyboard, what each letter is. From then on, Personal Writer will recognise the writing and as small variations occur, as they do with virtually everyone, the computer will note and remember them. Many writers' styles can be kept and used as needed.

Personal Writer allows those with no typing skills to get to grips with word processing systems and also allows screen-based programmes such as spread sheets to be used. Later this year, the software will become available for use on the IBM PC.

Envisaging a sales explosion

MACHINE VISION, a market which hardly existed in Europe three or four years ago, is set to grow from about $48m last year to $360m (constant 1986 dollars) in 1991, according to a new report from Frost and Sullivan, the US-based market research group.

This is a 50 per cent compound annual growth rate but only covers equipments that can be bought off the shelf. The figure will be increased by the considerable number of custom-built systems that will be purchased.

But it could remain a rough ride for the European suppliers, few of whom are yet showing a profit. One reason is that customers often cannot be sure what they want or what is possible, so that the cost of feasibility work eats into profits. The report advises suppliers to look for repeat work of the same kind wherever possible.

The study covers the market country by country and finds that France appears to have a surfeit of suppliers. It also finds that few suppliers in Europe are having much success in selling outside their own countries.

Markets, end-user industries and applications are all covered and the section on technology indicates that by 1991, the images gathered by machine vision systems will probably be processed by direct optical methods rather than electronics.

The ice map cometh

WHEN WINTER comes, local authorities faced with icy roads might be able to benefit from a thermal mapping service offered by Travers Morgan, the international firm of consulting engineers.

Early this year the company completed two such surveys in Yorkshire, where the object was to identify the coldest stretches of road, allow more selective road salting and save on salt, which costs £20 a tonne.

Apparently stretches of roads have temperature "fingerprints" that vary little in the winter months. In Sheffield, for example, it was found that some routes from the city centre towards the west show differences of 8 deg C between the centre and the city boundaries.

Travers Morgan uses an infrared thermometer mounted on a vehicle driven at normal speeds over the roads. The resulting "map" showing temperature differentials can be used in conjunction with ice sensors at specific points. With ice detected at a known point, the map makes it possible to say whether there will or will not be ice elsewhere. Surveys cost roughly £60 per kilometre.

CONTACTS: Argonne National Laboratory: US, (312) 972 5594. Anatex: Paris, 475 60260. Industrial Visions Systems Markets in Europe, Frost and Sullivan ($2,600): London office, 730 3438; New York, (212) 233 1080. Travers Morgan: London, 836 5474.

UK COMPANY NEWS

Hanson profit doubled to £312m

Hanson Trust, the acquisitive industrial conglomerate which last year took over Imperial Group after a £2.6bn takeover battle, yesterday reported interim pre-tax profits of £312m, up 97 per cent on the £158m achieved in the same period of 1985-86.

The results include a full six months contribution from the Imperial businesses it has not sold since the takeover, and from SCM the US conglomerate it acquired last year. The comparable *half of last year* included three months trading from SCM and nothing from Imperial.

The latest *figures* also include a three month contribution from Kaiser Cement, acquired this year for $250m. At a trading level, the figures for the six months to March 31 were broadly in line with analysts' forecasts. However interest income (from the sale of Imperial and SCM businesses) and profits from equity investments were below expectations, and thus so too was the pre-tax figure. *The shares* closed at 163½p, down 9½p on the day.

Turnover rose from £1.55bn to £3.47bn while earnings per *share* are up 46 per cent to 6.0p (4.1p) and the interim dividend is up 33 per cent at 1.4p (1.05p).

Lord Hanson, chairman of the *group, said that* "current trading encourages us to view the rest of the year with more than our usual enthusiasm."

The balance sheet at March 31 *showed* cash *of £3.1bn*, and company currently has net cash balances of over £500m.

In the UK, trading profits rose from £72m to £188m. The consumer products group saw profits increase from £32m to *£123m, with some £85m to* £88m due to Imperial Tobacco. Hanson said it had put in a strong performance, with profits ahead of the comparable period *for the previous* year.

Building products saw profits rise from £26m to £31m, with results from both London Brick and Butterly Brick ahead of last year. The company said demand remained very strong for both fletton and non-fletton products and both companies were operating at maximum capacity. Profits of the UK industrial division were unchanged at £14m, while foods, dominated by Imperial Foods, made £20m.

In the US, trading profits rose from £83m to £108m. In the consumer products division, profits were up from £20m to £25m, with SCM's Smith Corona typewrite and word processing business improving its position as market leader, thanks to new products, and making a contri*bution of about £13m, against* £5m last time. However, footwear results remained disappointing.

Building products, *strengthened* by Kaiser, *pro*duced "excellent results," up from £25m to £29m. Industrial products made £47m, against £36m, with SCM Pigments seeing sustained profit growth as worldwide demand for titanium oxide continued ahead of supply. Foods produced £7m of profits, against £2m. The group made £16m from net interest, property and other income, against a £6m debit in the first six months of last year. However, the 1985-86 figure included a £10m contribution from SCM when it was an associate, so the net rise is really £32m.

Tax took £78m — a 25 per cent charge against 28 per cent at the same stage last year.

See Lex

Norcros investigates acquisitions in US

BY CLAY HARRIS

Norcros, the industrial holding group which narrowly defeated a *£570m* takeover bid from Williams Holdings in April, is looking to the US for acquisitions of its own.

The company has sent a full-time executive to investigate possible targets, which are most likely to be involved in packaging, according to analysts.

Norcros yesterday reported an 18 per cent rise in pre-tax profits to £53.2m (£45.1m) for the year ended March 31 1987. The result was precisely in line with Norcros's estimate during the Williams bid, which failed *by a 52-48 margin.*

The successful defence will, however, result in a £5m extraordinary charge in the current year.

Turnover rose last year to £641.1m, compared with a £639.7m total for 1985-86, and included £588.8m from continuing businesses. Sales and profits improved in all sectors.

Building materials contributed nearly 60 per cent of operating profit with £23.7m (£20.9m) from manufacture and *£10.1m (£7.5m) from distribution.* Norcros plans to invest £20m over five years to begin the conversion of its tile operations to less wasteful single-layered kilns.

The UBM chain of builders merchants *improved* margins through tighter stock control and more effective use of central purchasing power. The stores which have been converted to "dual marketing"—to attract retail as well as trade customers—are showing sales increases of as much as 50 per cent.

Profits from specialist printing and packaging increased to £12.6m (£9.7m), with Norcros placing special emphasis this year on its magnetic-tape technology with applications including transport tickets, key cards for hotels and wipe-through tokens which could make coin-operated electricity and gas meters obsolete.

"When the Queen opens the *Docklands railway and feeds in* her ticket, it'll be a Norcros ticket," Mr Terry Simpson, chief executive, said yesterday. "I hope to God it works."

International building materials operations, in Greece, South Africa, Nigeria and Australia, contributed £5.97m (£5.57m), as currency movements limited the benefit of a 42 per cent rise in local terms.

As forecast during the bid, earnings per share increased by 31 per cent to 28p (21.4p) and a final dividend of 9p (6.5p) will make a total of 12p (9.3p).

● comment

At 4p per share, defence costs look cheap indeed for Norcros *shareholders* who have seen the price settle down a full pound above the level prevailing before first Bunzl and then Williams came calling. No management would choose a contested bid as the means of raising its profile, but Norcros took the opportunity to refine its presentation, and the clarity and confidence of the strategy is now manifest. The company's own £62m pre-tax *forecast* for this year is well underpinned. Potential will have to be translated into reality on a number *of fronts*, including the higher-value tile market, before anyone dares to commit to a higher figure. At this conservative level, Norcros is on target for its earnings forecast of 32p, which suggests a p/e of 12 at yesterday's unchanged 390p. This is good value already, and any earnings surprise should be pleasant.

Tesco scrip issue

Tesco, the supermarket chain, has proposed a two-for-one scrip issue to ordinary holders on register at the close of business on June 22 1987.

The conversion rate of both the 9 per cent convertible unsecured loan stock 2002/2007 and the 4 per cent convertible bonds 2002 would be adjusted as a result.

The directors believed that a capitalisation issue should be made in order to bring the issued share capital of the company more into line with its operating assets; they were also conscious of the preference of private investors for smaller denomination shares.

Mitchell Cotts finance chief expected to resign

BY MIKE SMITH

Mitchell Cotts, the chemicals engineering and trading group facing a hostile bid from industrial conglomerate Suter, is *expected to announce this week* that its finance director is resigning.

Mr Tony Alcock, who has been in the job for less than a year, is leaving following a major difference of opinion with chief executive Mr Roderick Paul, according to sources close to the company. The disagreement is not connected with the bid, they say.

Mitchell yesterday advised shareholders to take no action on an offer document sent out *by Suter at the weekend.*

Mr Paul said the board would make more detailed comments shortly.

The offer, he said, was unwelcome and unsolicited and the board was not being deflected from pursuing its strategy of rationalisation and concentration on its four core businesses.

United News close to victory in bid battle

By Clay Harris

United Newspapers last night appeared close to victory in its £250m takeover battle for Extel Group.

With support of 41.76 per cent of shares in the financial and sports information group by the first closing date, United declared the offer final and extended it only until next Monday.

United has not yet won acceptance on behalf of the 7.2 per cent stake held by the MIM fund management group. Although Lord Stevens is executive chairman of both United and MIM, the Takeover Panel ruled last month that the two were not *acting in concert.*

Samuel Montagu, advising United, holds 29.7 per cent of Extel on behalf of the bidder. Most of this was bought in a *sealed-bid auction from* Mr Robert Maxwell in April before the newspaper and publishing group launched its bid.

The merchant bank last night was deligted with the level of acceptances and said it expected other institutions to follow suit quickly. Extel and its adviser, Kleinwort Benson, was studying the situation.

The outcome was announced after the market closed. Extel, unchanged at 484p, remained above the 479p value of United's share offer and the 481p cash alternative. United shares lost 4p to 465p.

Trimoco stake sold

A SINGLE buyer is believed to have acquired 11.5 per cent of shares in Trimoco, the Luton-based motor distributor and finance company.

The shares were sold yesterday by Mr James Longcroft, Trimoco's outgoing chairman, and Tournesol, a company of which he is a director. Tournesol also sold its 14.35 per cent share of Trimoco's convertible loan stock.

The shares were placed at 36½p by de Zoete and Bevan, Trimoco's stockbroker. Any buyer of 5 per cent or more would have to disclose the purchase by next Tuesday. The shares were not widely spread among institutions.

Its shares added 1p to 40½p yesterday to value the company at more than £30m.

Storehouse shares fall on disappointment at £123m

BY ALICE RAWSTHORN

Storehouse, the retail group which embraces British Home Stores and Habitat, watched its shares fall by 25p to 292p yes*terday when it unveiled* a 16 per cent rise in pre-tax profits to £123.1m.

The progress of Storehouse's shares has been lack lustre ever since its formation, through the merger of Habitat-Mothercare with BhS in January last year.

Yesterday's fall reflected the City's *disappointment* at the rate of profits growth and concern at the performance of Mothercare.

Nonetheless, Sir Terence Conran, group chairman, described the year as one of "great progress" involving "major projects" in every area of activity.

"We will pursue a policy of expansion through organic growth, joint ventures and international franchise agree*ments and continue to develop* new retailing concepts aimed at clearly defined markets," he said.

In the 53 weeks to April 4, group turnover (from continuing operations) increased to £1.09bn (£968.4m). Taxation deducted £40.1m (£35.5m). Earnings per share rose to 21.6p (19.9p). The board proposes to pay a final dividend of 6.3p making 8.6p (7.7p) for the year.

BhS emerged as the most buoyant business. Turnover rose to £533.9m (£496m) and profits to £70.7m (£59.8m) fuelled by the withdrawal from food.

The refurbishment of BhS is under way, with 65 stores already completed and 46 to be finished in the present year. The first out-of-town store *opened in Gateshead.*

Habitat's progress was more pedestrian. Turnover rose to £210.7m (£184.5m) but profits growth was more sedate at £14.5m (£13.2m).

The first two out-of-town stores opened during the year, to be followed by three this year. Expansion continued in Europe with four new open*ings and a similar* number scheduled this year.

The Mothercare chain emerged as the most difficult area of the group. The installation of a new UK distribution network caused prolonged problems which, Sir Terence said, have now been resolved. Turnover rose to £306.4m (£287.9m) but profits fell to £34.9m (£38.4m).

Richards, the women's wear group, fared well contributing £37.1m to turnover and £8.9m to profits. The SavaCentre joint venture also progressed and, together with other related interests, contributed £9.3m (£4.2m) to profits. The new Anonymous fashion chain now sports seven units.

Overseas, Storehouse has expanded its franchise operations, with *BhS* openings in the Gulf States and Hong Kong and the introduction of the first Habitat franchise in Hong Kong.

The cost of closing the BhS food departments and the Now pre-teen chain, after a tax credit of £7.3m, is expressed as an extraordinary item of £700,000 (£24m).

Sir Terence said that thus far sales have been higher than last year and that the group is committed to a "massive programme of development and refurbishment, which we consider to be an essential investment for the future."

See Lex

£50m Tie Rack for market

BY ALICE RAWSTHORN

Tie Rack, the specialist tie retailer, aims to take advantage of the recent boom in the new issues market by staging an offer for sale to join the main stock market which will value its business at £49.7m.

Given the buoyancy of the new issues market Tie Rack has seized the opportunity to price its issue unusually generously.

In the flotation, through Samuel Montagu, it will issue 8.6m new shares, or 25 per cent of its equity, at 145p each. On the issue price it has an historic p/e of 31.5 on earnings per share of 4.6p.

Tie Rack was established six years ago by Mr Roy Bishko, the present chairman and chief executive. It has expanded rapidly to *establish a chain of* 115 units selling ties and accessories.

In the UK, the business is partly structured as a franchise operation. Overseas, where it has 18 shops, Tie Rack has opted for joint ventures in Canada and France, for franchising in Ireland and has set up a subsidiary in the US.

In the last financial year, to February 1, the company produced pre-tax profits of £1.84m on turnover of £16.89m: increases of 301 per cent and 87 per cent respectively

● comment

At first glance the price and timing look so, so silly. A company which goes public on one of the highest multiples the City *has seen*, with an application list which closes just two days before the general election . . . looks like a company chancing its luck. But this flotation follows a stream of successful new issues. Moreover Tie Rack is just the sort of neat, niche retailer that the stock market likes best. Even if the institutions began to baulk at ever escalating multiples, there would be lots of individuals only too happy to take their place. Even the inevitable comparisons with Sock Shop are flattering. It now hovers on a prospective p/e of *51.2*, while Tie Rack—assuming profits of £2.5m for the present year—tumbles to a fully diluted prospective of 28. Election or not . . . it wil probably pull it off.

Sketchley slips to £10.9m

Sketchley, retail dry cleaner, business services and office equipment, yesterday announced a slight downturn *from £11.61m to £10.88m in pre*-tax profits for the year to March 27 1987.

Leaving out exceptional credits of £214,000 (£1.74m), however, there would have been an improvement of £804,000.

Since early 1986 when the group announced a new strategy it has undergone a fundamental change in structure.

As a result of the acquisition of Equipu, the group had begun to implement *its strategic* objective of building a dominant position in the high growth markets of office services and supplies. Equipu's profit of £1m for the 9 weeks to March 27 1987 was indicative of a strong underlying performance enhanced in that period by seasonal factors.

Mr Richard Newton, the chairman, said that indications for the current year were encouraging.

Turnover last year fell from £153m to £132m, largely reflect*ing the sale of the company's* substantial US interests during the year. But that of existing businesses increased from £78.6m to £85.26m and new businesses brought in £28m. Discontinued activities' turnover fell from £74.55m to £18.43m.

Operating profit of continuing activities rose from *£7.96m to £10.46m with discon*tinued activities contributing £300,000 against £2.38m.

Interest charges were £86,000 (£468,000) and the tax liability was down from £4.16m to £3.01m. There were extraordinary debits of £2.74m (£1.06m credit) leaving earnings per share little changed at 32.3p (32.2p).

The final dividend is 13p as forecast making a total of 19p (17.5p).

Mr Richard Newton retires at the forthcoming AGM to be succeeded by Mr Malcolm Glenn, chief executive who will then become chairman and chief executive. At the same time, Mr John Gillum, a non-executive director of the company will become deputy chairman.

● comment

Since Malcolm Glenn took over at Sketchley two years ago, he has set in train a radical restructuring of the cleaning group. Nearly half the turnover disappeared in disposals and the group has clambered out *of diapers and into catering and* office equipment. Each move has looked sensible as do the longer term plans for offering consumers more home-related services, *like removals*; the problem is that earnings have so far been static. Although a full year from Equipu and the improved contract with British Coal will push up profits this year, heavy investment in refurbishment will continue to check growth in the dry cleaning shops. The shares have underperformed considerably over the past year, assuming £14m pre-tax, they are on a prospective p/e of 15 at 532p. But for the longer term, the investor might be tempted to place an each-way bet—if Glenn's plans don't bear fruit soon, bid speculation will surely return.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Beradin	0.6	—	1.1	0.6‖	1.1
Carless Capel	1.75¶	—	1.75	2.75	2.75
Chapman Inds	6.85	July 28	6.1	9.25	8.4
CML Microsystems	‡2.2	Aug 6	1.8	2.2	1.8
Coalite	6.5	Aug 3	5.5	8.75	7.5
De La Rue	9.25¶	Aug 12	8.25*	12	11.0*
El Oro Mining	5	Oct 30	4.63	5	4.62
Exploration Co	2.5	Oct 30	2.31	2.5	2.31
Hanson Trust ......int	1.4	July 24	1.05*	—	3.19*
Godwin Warren	1.1	—	1.1	2.2	2.2
Mecca Leisure ......int	1.5	Sept 1	—	—	—
Monks & Crane	2‡	Aug 6	1.6	3.1	1.6
Norcros	9	—	6.5	12	9.3
Plysu	1.55	—	1.26*	2.2	1.8*
Sketchley	13	Aug 8	12.3	19	17.5
Spandex	‡2	—	—	2	—
Storehouse	6.3	Aug 15	5.7	8.6	7.7
Sturge Holdings ...int	3	—	2.25*	—	6*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Proposed dividend/scrip option. ‖ For 15 months (year).

De La Rue 13% increase despite currency moves

De La Rue, security printer and manufacturer of printing machinery, weathered adverse currency movements to make pre-tax profits of £55.83m for the year to March 31 1987, up 12.7 per cent on the £49.36m of the previous year.

The figures exceeded market forecasts of between £53m and £55m, and the shares responded by gaining 30p to close at 447p, a rise of 52p since the beginning of the week.

Turnover advanced 48 per cent to £444.1m (£309.9m) and earnings showed an increase of 3 per cent to 28.3p (27.5p).

Trading profits rose from £43.5m to £51.5m, most of the growth coming from the Crosfield Electronics division, where the contribution increased 40 per cent from £12m to £16.9m. Security accounted for £34.6m compared to £31.5m, an increase of 10 per cent.

Mr James White, finance director, said that but for unfavourable currency movements trading profits would have been between £4m and £5m higher. Appreciation of sterling against the Nigerian Naira was largely behind the reduced share of profits from related companies, down 21 per cent to £7.6m (£9.6m).

Interest payable fell from £3.8m to £3.5m. Net borrowings at the year end stood at £1.5m.

There is a final dividend of 9.25p, making 12p for the year, compared to 10.74p.

Sir Arthur will be succeeded as chairman by Mr Peter Orchard, the present chief executive, who will be replaced by Dr Brian Malpass, currently managing director of the Thomas De La Rue currency division.

● comment

De La Rue have languished over the past six months—underperforming the market by 8½ per cent in price terms over the past three months alone—and its rating has been in the doldrums, losing 13 per cent relative to the market since the beginning of the year. This was due not so much to fears that supplying banknotes has gone ex-growth—that has been known for some time—but because ofthe strengthening of sterling against the dollar, and the disastrous decline in the Crusado and the Naira. After all, some 85 per cent of turnover is derived from abroad. But the City has been cheered by these results which reveal that Crosfield is doing better than expected, and that payments systems and Printrak seem likel yto counteract fierce competition in the securities printing market. Most of the increase in turnover comes from acquisitions which have not as yet made a contribution to profit, so £65m for 1987-88 is possible. That puts the shares on a p/e of 13—up with events after this week's rapid re-rating.

Coalite shows 9% advance to £43m

A CONTINUATION of progress through the second six months of 1986-87 enabled the enlarged Coalite Group, manufacturer of Britain's best selling brand of smokeless fuel, to lift its full year pre-tax profits by 9 per cent to £42.98m.

After taking account of a £1.71m lower tax charge of £14.78m profits at the attributable level worked through at £28.2m, an improvement of 23 per cent over the previous year's £22.93m.

Shareholders are rewarded via a 1.25p increase in their total dividend to 8.75p, the final being 6.5p per 25p share. Earnings rose from 26.67p to 31.02p.

The year to March 31 saw group turnover surge from £444.86m to £492.92m and operating profits improve from £31.39m to £34.64m.

Pre-tax profits were struck after adding in net interest and similar income amounting to £8.34m against a previous £8.04m.

Coalite completed its £99m acquisition of the Yorkshire-based Hargreaves Group, a fuel distributor, towards the end of 1986.

Last December, in his interim statement, Mr Eric Varley, the chairman and a former Labour Energy and Industry Secretary, said the purchase of Hargreaves provided Coalite with a firm basis for expansion and growth.

● comment

Coalite has never been one to flatter the City with a great deal of information, content for manny years to build up a cash pile from its elderly fuel businesses. Then suddenly, almost a decade after the group's last major corporate act, the acquisition of Charringtons (which included the Falklands Islands Company), Coalite won the much fancied Hargreaves with a £100m offer. However, the target's shareholders hit back by mainly taking the cash, leading to a £70m outflow but the kitty was restored to £31m by the year end thanks to strong cash generation. In for five months, Hargreaves contributed £3.9m before interest while the key fuel distribution division was down £1.3m. The ragbag of sheep farming, vehicle manufacture, oil exploration and instrument manufacture was ahead strongly, by 50 per cent, to £9.7m in despite of a sharp fall in returns from the North Sea. This year Coalite should breach the £50m barrier but it could end a million or so short of this. The shares are unexciting on a p/e of 12 but a review of property opportunities, including Hargreaves former HQ, may produce interesting results.

Increasing capacity boosts Sturge midway

BY NICK BUNKER

Sturge Holdings, Lloyd's underwriting agent, yesterday reported pre-tax profits for the first half of 1987 up 29 per cent at £2.99m, after an 11 per cent increase in the capacity of its insurance syndicates.

It also forecast pre-tax profits of £11.6m for the full year to September 30, up 21 per cent from £9.51m last year. Because of the accounting system used at Lloyd's, underwriting agents can make accurate predictions of their annual results by early summer.

Sturge manages 16 syndicates and acts as members' agent for 1,928 underwriting members of the market.

The second half's figures will include all the commissions earned by Sturge on profits made during the 1984 Lloyd's underwriting year by members whose affairs the group manages.

Sturge said turnover rose 33 per cent to £3.79m for the six months to March 31, mainly reflecting the increase in capacity of its syndicates. Operating profits were £1.93m, up from £1.39m, while interest receivable and other income totalled £1.06m (£926,000).

After-tax profits were £1.89m, while earnings per share rose 27 per cent to 5.26p. Sturge announced an interim dividend up 33 per cent at 3.00p, against an adjusted 2.25p.

Sturge predicted that the full year to September 30 would show after-tax profits of £6.7m (£5.58m), with earnings per share up 16 per cent at 18.16.

The group's shares closed 11p down at 457p last night.

● comment

When the market happens upon a curiosity like Sturge, the only Lloyd's agent with a listing, the consequences can be extreme. Since non-marine syndicates can look forward to a sharp improvement in results for the 1985 and 1986 underwriting years, Sturge was looking decidedly underpriced last September at 285p. Hence the steep run-up in the share price over the last six months which left the market with little energy for a further climb even after yesterday's confident auguries. The full year forecast gives what is in effect a historic p/e of 25, making Sturge look expensive. However, the peculiartes of the Lloyd's three-year accounting system mean that the investor buying now knows he will have a steadily strengthening stream of earnings right through to 1989. Sturge is already claiming that the 1987 underwriting account is showing the best claims experience for two decades. Provided, of course, that underwriting disasters—another feature of Lloyd's—do not occur.

Blue Circle warns of cuts

AT YESTERDAY's AGM of Blue Circle Industries, the retiring chairman, Sir John Milne, said further redundancies would be unavoidable as new working practices were extended to more UK cement works in 1987 and early 1988.

But the group expected further improvement in profits thanks to greater efficiency and higher productivity.

The strong demand for cement had helped to maintain price levels, he said, and at the end of April cement sales were up on the same period last year.

This was partly due to the better weather this year, but there was also an increase in underlying demand, particularly in the south-east.

The group's UK businesses had started well and he was confident that the improvement in total UK earnings would continue. In the US Blue Circle should produce satisfactory results despite a highly competitive market, and elsewhere the group had made a promising start to the year.

Mr Milne retired yesterday after more than 39 years with the company and 12 as its managing director.

CES board backs offer from Next

By Philip Coggan

Mr Murray Gordon, chairman of Combined English Stores, and his fellow directors yesterday agreed to accept, in respect of their personal shareholdings, the offer from Next, ladies-fashion and mail order group.

Next launched a eleven-for nine share offer for CES in May, just five days after the CES directors had given irrevocable acceptances to an offer from Ratner's, Britain's biggest jewellery group. But Ratners withdrew its bid last week leaving the way free for the CES board to assent its 2.74 per cent of the equity to the higher Next offer, which is due to close today.

GARRISON CAPITAL (UK), an investment management group, made clear yesterday that a 5.5 per cent stake in Aitken Hume which was reported to have been acquired by Mr Guy Dove had in fact been bought on its behalf. Mr Dove is a director of Garrison.

Hafnia Invest seeks SE listing

Hafnia Invest, the Danish financial services group, is seeking a London Stock Exchange listing this month to coincide with admission to a similar listing in Frankfurt.

Its introduction to the London marketis sponsored by Banque Paribas Capital Markets and Morgan Stanley International. Hafnia Invest's principal subsidiary is Hafnia Insurance, Denmark's second biggest insurance group.

Hafnia has a strategy of "gradual and carefully monitored expansion outside Denmark," which it says will be aided by the new listings.

CADBURY IRELAND, part of the Cadbury Schweppes confectionery and soft drinks group, raised its turnover from I£111.96m to I£118.11m and its profits by I£1.07m to I£5.03m (£4.53m) pre-tax for 1986. After tax of £62,000 (£121,000) and minorities of £83,000 (same) earnings amounted to 112p (84p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims: Body Shop International, Fleming American Investment Trust, MEPC, Telecomputing.

Finals: Dunhill, GT Management, Highland Participants, Hunter Saphir, Reed International, Rolfe and Nolan Computer Services.

FUTURE DATES

Interims—

Australia Investment Trust	June 11
Betr Brothers	June 26
Durban Roodepoort Deep	June 8
East Rand Proprietary Mines	June 8
Flexello Castors and Wheels	June 11
Greenwich Resources	June 9
LPA Industries	June 30
National Westminster Bank	July 28
Plaxtons (GB)	June 9
Sidlaw	June 11

Finals—

Beecham	June 11
Blyvooruitzicht Gold Mining	June 8
Cropper (James)	June 22
Dowty	June 29
Hewitt (J.) (Fenton)	June 11
Pronteprint	June 8
Russell (Alexander)	July 1
Trimoco	June 23
Welpac	June 10

Swiss group to keep 5.8% stake in Savoy Hotel

A SWISS-BASED foundation yesterday undertook to the High Court not to dispose of a key block of 5.77 per cent of the voting shares of Savoy Hotel, pending the outcome of legal action by Trusthouse Forte.

The undertaking, by La Foundation pour la Formation Hoteliere, replaced an injunction in similar terms obtained by Trusthouse Forte two weeks ago.

Trusthouse Forte, which has been trying to gain control of Savoy Hotel since 1981, currently holds 42.3 per cent of the voting shares. Its minority shareholder's action, which it claims to be taking on behalf of Savoy Hotel, is a bid to get the key shares cancelled on the ground that their allotment was invalid.

Trusthouse Forte has sued Sir Hugh Wontner, former Savoy chairman, Childs Nominees (a nominee company holding the 155,138 disputed shares), the Swiss foundation and Savoy Hotel.

Trusthouse Forte alleges that in 1970 28,207 Savoy voting shares were invalidly issued to a company called Interbaer Nominees.

That issue, Trusthouse Forte alleges, was procured by Sir Hugh Wontner in breach of his fiduciary duty to Savoy.

Later the shares, translated by sub-divisions and scrip issues into a holding of 155,138 shares, was transferred to Childs Nominees.

After yesterday's hearing Trusthouse Forte said it had been known that Childs Nominees had held the shares for many years but no-one had been able to discover the beneficial owners.

Then late last year it had been learnt that the share were owned by the Swiss foundation, of which some Savoy directors had been or were administrators.

The present administrators included two Savoy directors, Mr M. B. Radcliffe and Mr V. S. Emery.

Trusthouse Forte declined to disclose the basis on which it will argue that the 1970 issue was invalid.

Plysu advances by 18% to £5.4m as expansion continues

BY ALICE RAWSTHORN

Plysu, fast-growing manufacturer of plastic containers and homewares, yesterday unveiled an 18 per cent rise in pre-tax profits to £5.4m on turnover which rose by 10 per cent to £37.5m in the year to March 31 1987.

Plysu is now in the throes of a substantial capital expenditure programme in order to increase production capacity. A new 80,000 sq ft container factory will open in Rochdale within the next few days and work has begun on a 180,000 sq ft plant in Newport Pagnell. The group invested £7m in capacity expansion last year and should spend £13m in the present year.

When the first phase of the Newport Pagnell plant opens in early 1988, Plysu will begin commercial production of its new multi-layered containers. These containers, which have taken four years to develop, will be used for agro-chemicals. Pilot production has already begun.

Plastic milk containers emerged again as the most fertile product sector, according to Mr James Summerlin, chairman, because of growing demand from supermarket groups.

In the Netherlands the group completed the rationalisation of its product range. Turnover fell to £4.6m (£4.8m), but the move into higher margin products should boost profitability.

Mr Summerlin said that the homewares division made progress during the year, despite difficult trading conditions. Plysu introduced new garden products last year, and will expand its range with the debut of the "ultimate mop" this year.

The group's taxation rate fell in 1986-87 and deducted £1.9m (£1.7m). Earnings per share increased to 9.7p (7.9p) and the board plans to pay a final dividend of 1.55p making 2.2p (1.8p). It also proposed a one-for-five scrip issue.

Mr Summerlin expressed confidence in the group's prospects for the present year.

● comment

In many ways Plysu looks like one of the unsung heroes of the industrial sector. A well-managed company, it has identified a neat niche in value-added containers and has nurtured it through a combination of new product development and organic, rather than acquisitive growth. Earnings have risen year after year and the future even offers the fillip of a bid. There is lots of potential in its established market of milk containers; while high-tech, multi-layered containers offer a lucrative new source of income. The benefits of product development should filter through next year, as will the extra capacity. Meanwhile rising raw material prices pose the only perceivable problem and Plysu should muster pre-tax profits of £6.2m in the present year. Thus the shares, which fell by 2p to 211p yesterday, look comfortable on a prospective p/e of 19.

Interest cut helps boost Mecca to £4m midterm

A SUBSTANTIAL cut in interest charges backed up by property disposals, enabled the Mecca Leisure Group to double its first half pre-tax profit to £4.14m.

The group returned to the stock market as an independent company last October—its shares being offered at 135p each—after a management buy-out from the former parent Grand Metropolitan. Its activities cover the operation of holidays, bingo and dance halls.

Looking to the future, Mr Michael Guthrie, chairman and chief executive, said benefits of recent acquisitions and investment programmes should ensure a successful outcome for the current year, and provide a firm base for further growth in 1987-88. Last year the group made a pre-tax profit of £7.55m.

Reviewing the half year ended March 31, 1987, the chairman pointed out that this time a number of low profit and loss making branches were sold, and that removed a significant amount of sales turnover — the group figure for the period came to £59.69m (£58.73m).

Adjusting for that, turnover in branches currently trading was about 7 per cent ahead on a year ago.

In entertainment and catering trading profit fell to £2.38m (£2.95m), explained by the effect of bad weather in the early part of the year and the closure of five branches for refurbishment, including one of the largest outlets—Le Palais, Hammersmith.

Social clubs improved their contribution to £3.67m (£3.1m) while UK holidays cut the loss to £886,000 (£1.11m) and other activities accounted for a deficit of *£97,000 (£107,000)*, giving an overall trading profit of £5.06m (£4.83m).

disposals of £443,000 and inte

There was a profit on property disposals of £443,000 and interest payable was down to £1.37m (£2.83m).

After tax and minorities, earnings were 3.5p *(2.4p)* per share and there is declared an interim dividend of 1.5p net.

Mr Guthrie told shareholders that the capital investment programme continued as planned with £15m being spent in the period. New acquisitions comprised a night club in Wolverhampton and a social club in Glasgow.

Four major refurbishments had been completed in the entertainment division and Le Palais was on schedule for reopening this month. There had also been a major investment in the Warners UK holiday centres.

Mecca would generate sufficient cash to fund the remainder of this year's capital programme without any material change in the debt/equity ratio.

Since the half year Mecca contracted to buy the Sweeney Todd restaurant business for some *£2.1m. It owned five* restaurants and one public house in Bath, Cambridge, Oxford, Canterbury and York, and a sixth restaurant was due to open in Cheltenham.

The chairman said that move represented the aims of developing the potential of the *catering division in the* key middle-spend sector of the market.

● comment

It must be a sign of these more sophisticated times that Hammersmith's great dance hall *should be reopening this week*end as Le Palais after a £2m refit. This was only part of the £28m capital expenditure which Mecca's management are planning to invest in their estate this year. The leisure industry's long-cycle (theatres to cinemas to bingo halls to dance halls to night clubs to theatres again?) has yet to complete its first great pass across the UK but Mecca look determined to follow wherever it leads. The balance sheet has been prepared, with all the goodwill (such as it was) inherited from the Grand Met days eliminated post last year's flotation. As the entertainment and catering division, short of an explosive start at Le Palais, is now unlikely to surpass last year's *£4.1m*, forecasts have been held at £13¼m pre-tax for 1986-87, with a £3m saving on the interest account overshadowing the trading result. However, medium-term growth prospects are rated highly—*which is just as well as the* shares at 214p look fully valued on a prospective p/e of 19.

Godwin Warren still in red but is optimistic

Godwin Warren Control Systems the USM quoted manufacturer and supplier of car parking systems and equipment, achieved a measure of recovery in the second half of 1986 but still incurred a further £63,000 of losses. Added to the £452,000 losses of the first six months this made a total *pre-tax deficit of £515,000 against a* profit of £535,000 for the preceding year.

The directors said that the results for the year, as expected, were financially disappointing. Nonetheless it was a year during which fundamental progress was achieved and a firm *basis established for the group's* future.

They believed new products and strengthened management resources would benefit in the coming year. The emerging complementary businesses in ticket manufacture and sale of fuel monitoring systems and the development of the distribution activities would also ensure that 1987 proved to be the group's most successful year yet.

Turnover last year rose by £954,000 to £8.47m but the cost *of sales was up by over one-*third to £6.7m leaving the gross profit down from £2.51m to £1.77m. Distribution costs amounted to £208,000 (£453,000), administrative epenses were £1.69m (£1.4m) and interest payable was £210,000 (£130,000); ta took just £17,000 (£226,000) and there was minority interests of £3,000 credited (£1,000 debit).

The loss per share emerged at 11p (7.1p earnings) but the dividend is maintained at a total of 2.2p with a final of 1.1p.

Prowting to join SE via placing

Prowting, a housebuilding company, is to join the London Stock Exchange through a placing of 6m new £1 preference shares to help fund increased land costs.

Prowting has produced a 69 per cent rise in pre-tax profit to £7.1m on £53.3m turnover in the year to February 28, with shareholders' funds at £32.7m. The cost of its land bank has risen from £24.3m to £37.8m over the past two years.

The company builds residential developments in the south, with an average house sale price of £85,000.

Dealings for the new 8.3 per cent redeemable preference shares 2002, which are being placed by Chase Manhattan Scurities, should start on June 5.

Fast-expanding Williams goes on trail again

Williams Holdings, the industrial holding group which has *expanded rapidly* over the past six years under the reins of Mr Nigel Rudd and Mr Brian McGowan, chairman and managing director respectively, yesterday *stepped out on the* takeover trail for the first time this year.

Compared with previous multi-million pound bids the company this time has reached agreement in principle to acquire Darlington-based Amdega, a manufacturer of high quality cedar wood, Victorian style, conservatories for £7.1m in cash.

In the year to April 1987 Amdega had sales of more than £5m and profits of £514,000 at the pre-tax level. The directors said that the market was growing at some 30 per cent a year and that sales and profits were expected to grow considerably *over the next few years.*

Williams has a significant presence in the high growth sector of home and garden improvements owning such companies as Larchlap Fencing, Compton Buildings and Banbury Homes and Gardens, all acquired in 1986.

In its last bid attempt Williams narrowly failed to take over Norcros for £570m.

Better margins help Monks & Crane lift 33%

IMPROVED margins helped Monks & Crane, the USM-listed engineering tools distributor, to produce a 33 per cent improvement in pre-tax profits to £2m for the year to March 31.

Turnover rose by 12 per cent to £28.65m and earnings per share lifted 34 per cent from 8p to 10.7p. A recommended final dividend of 2p (1.6p) makes 3.1p for the year, against 1.6p for 1986.

Mr Albert Spacie, chairman, said that all companies had improved margins against a background of adverse trading conditions.

Interest payments took £126,000 (£119,000), associated companies loss £1,000 (nil) and tax £601,000 (£495,000).

Antofagasta in £5m buy

Antofagasta Holdings, UK listed company with water, distribution and railway interests *in Chile*, has acquired a 48.06 per cent stake in Forestal Colcura, Chilean forestry company. The consideration was equivalent to £4.89m in local currency and was satisfied by a reduction in the advances made by the group to Colcura.

Antofagasta is entitled to increase its holding to 65 per cent by subscribing for further share issues and has said it intends to acquire a majority holding by subscribing for an issue later this year.

Colcura owns plantations, mainly of eucalyptus, in south Chile. In 1986 it reported pre-tax losses of £750,000, of which £500,000 related to its forestry business after interest charges.

Antofagasta expected that Colcura's profitability would improve following a recent rights issue and present developments.

COMPANY NEWS IN BRIEF

ENTERPRISE AIR-TIME Systems computer services company *whose systems process* some 90 per cent of ITV's advertising revenue, has raised £1.5m in medium-term preference capital. The financing was syndicated by *CIN Industrial* Investments Limited, the investment arm of the British Coal Pension Funds. Enterprise has signed a $3m contract in *Colorado Springs* in which the US subsidiary acquired Kaman Broadcasting Systems. Turnover was £1.47m for the year to March 31 1987, with *profit before directors' salaries*, interest and tax at £341,000.

CELLTECH (specialist biotechnology company): Johnson & Johnson Development Corporation of the US and Sumitomo Corporation of Japan were each allocated 450,000 shares at £4.50 per share at an extra-*ordinary general meeting of* Celltech shareholders. Celltech also announced that it had started installing a new 2,000 litre fermenter to extend pro*duction capacity by nearly 50* per cent.

JOHN CROWTHER Group has bought *Herbert Johnson*, London retail and wholesale hatter for £950,000, of which £816,000 will be satisfied by the issue of 415,000 shares.

MARSHALLS HALIFAX has sold its Reliance-Mercury subsidiary to management for £450,000 in cash of which is deferred for 12 months. Profit of the company before interest and tax for the year to March 31 1987 was £134,000. Net assets at completion were estimated at £2.2m.

SAC INTERNATIONAL has bought Flustam for some £2m, in 529,580 ordinary shares and £500,000 loan stock. Flustam provides engineering design services to the automotive aerospace and nuclear industries.

UK COMPANY NEWS

Carless hit by fall in oil price

BY LUCY KELLAWAY

Carless, Capel and Leonard, the independent oil company, yesterday announced a fall in net income for the year to March from £7m to £2.8m, caused mainly by the fall in the price of oil.

The figures contain a £1.6m provision against a loan to LTV, the company's largest gas buyer in the US, which is being reorganised under the protection of the US bankruptcy courts. The provision has had minimal impact on last year's earnings, as it has been offset by profits on surplus properties.

During the year the group's balance sheet has been strengthened through asset sales and through the purchase of the Winterbottom Energy Trust, withthe result that gearing fell from over 90 per cent at the beginning of the year to about 30 per cent by the end.

Since year end Carless has bought a 40 per cent stake in Century Power and Light, the fellow oil independent, which has further reduced gearing to 22 per cent.

Mr Ian Clubb, chief executive of Carless, said yesterday that "the financial sorting out of the company is now done and it is time to get on with the more difficult talk of getting growth into our business."

During the second half of last year the group's refining and marketing operations recovered smartly from a difficult first half, contributing to an operating profit of £5.8m (£10.6m). Profit before tax and write-offs showed a smaller decline to £3.8m (£5m), due to lower interest charges.

Group turnover for the year was down by a third to £105m despite a rise in volumes of both crude and product sales, as a result of the sharp fall in average oil prices from £18.7 a barrel to £9.36.

The final dividend is maintained at 1.75p to leave the total unchanged at 2.75p.

● comment

The speedy and confident restructuring that Carless' new management have wrought over *the past year justifies its decision to pay out a dividend that* is not even half covered by earnings. The benefits of its actions, which were masked last year by the fall in the oil price and by weighty stock losses in its solvents business, should soon start to show. Although the company is making headway downstream — expanding its range of products and moving upmarket—the main growth will come from acquisition. In *this Carless has shown its pluck* in buying 42 per cent of Century, and now faces the prospect of a long wait before Calor decides to part with its holding. The company admits that this may never happen, in which case it will have succeeded in buying cheaply a stake in a company which enhances its earnings and strengthens its balance sheet. *Neither Carless'* figures nor the fat accompanying statement surprised the City yesterday. The shares closed down 1½p at 115½p, sensibly unaffected by the first formal recognition that reserves in Carless' small Humbly Grove field (known to be disappointing for some time) and half what they were originally thought to be.

CML up 25% to £1.9m

CML Microsystems, USM quoted maker of integrated circuits, ended the year to March 31 last with a 25 per cent advance from £1.54m to £1.92m in pre-tax profits.

Mr George Curry, the chairman said increased turnover and operating profits were recorded by each of the group's operating companies during the year and higher sales were achieved in all of the group's principal market territories.

Sales of the group's semiconductor products improved reasonably well, with continuing market weakness for some of the mature products more than countered by the growth of newer types.

The outlook for the current year, Mr Curry said, appeared promising and he believed the group was well placed to achieve further growth.

The number of new products achieving production status continued to grow and he was optimistic that the benefits would increasingly show through. During the current year the group planned to increase the degree of automation in its production processes and to enlarge the MX-COM plant in North Carolina.

Increased investment in product design and engineering facilities were also scheduled and the scope of the group's marketing activities would be expanded.

Turnover last year was up by 20.7 per cent to £7.05m (£5.85m); tax charged was £689,090 (£632,026), which comprised of £556,421 (£495,718) UK tax and £132,669 (£136,308) overseas tax. Minorities took £68,646 (£41,772) leaving attributable profits of £1.16m (£867,000) for earnings of 13.5p (10.1p) per 10p share.

The dividend goes up from 1.8p to 2.2p.

Exploration ahead and pays 2.5p

The Exploration Company, investment dealer, made a net *profit of £985,000 for 1986*, up from £792,000, for earnings of 8.17p, against 6.57p. The dividend is lifted from 2.31p to 2.5p.

Total income came to £1.59m (£1.35m).

At the year end, total assets, taking investments at market value, stood at £20.24m (£15.23m).

The near-50-per-cent-owned El Oro Mining and Exploration Company is raising its dividend from 4.62p to 5p for 1986, from earnings of 17.72p (14.38p).

Group total income came to £1.28m (£1.1m) and the net figure to £800,000 (£649,000). Year-end assets totalled £15.82m (£11.59m).

Beradin setback

Substantially lower profits and a dividend cut are announced by Beradin Holdings, which is interested in rubber and palm oil production.

The accounting period has been changed to December 31, and for the 15 months ended December 31 1986 turnover was shown at £893,000 and pre-tax profit at £252,000, compared with £1.09m and £546,000 respectively for the year ended September 30 1985.

The dividend for the 1986 period is 0.6p net per share, against 1.1p, from earnings of 0.81p (1.84p).

Glynwed plastic expansion

BY PHILIP COGGAN

Glynwed International, the industrial group, yesterday strengthened its presence in the plastics market by buying the Italian-based Formatura Iniezione Polimeri (FIP) and its British distribution arm FIP (UK) from Gallaher, the retailing and cigarette manufacturing and retailing group which is a subsidiary of American Brands.

FIP manufactures valves and other pressure pipe fittings in thermoplastics and Glynwed believes its products fit naturally with those of its existing subsidiaries, Durapipe and Philmac. In its last financial year, FIP made operating profits of £1.4m on turnover of £19m.

The consideration, which will be based on net asset value, is expected to be around £14m of which £9m will be debt assumed by Glynwed, with the balance paid in cash

Mr Gareth Davies, Glynwed's chairman and chief executive, has repeatedly stressed the group's commitment to achieve an annual increase of 20 per cent in earnings per share and expansion in plastics is a major part of the group's growth plans.

Gallaher said yesterday that the disposal was part of a continuing plan to divest peripheral businesses which do not form essential parts of its mainstream operations.

Spandex lifts profit 58% and in £2.8m purchase

Spandex, which sells computer-aided sign-making equipment and which joined the USM in the latter part of 1986, yesterday unveiled a 58 per cent rise in pre-tax profits for the year to February 1987.

At the same time the company said it had exchanged contracts for the acquisition of Ultramark Adhesive Products, a major supplier to Spandex since 1984.

The acquisition will enable Spandex to diversify into markets outside the sign industry and provide it with its own self-adhesive vinyl manufacturing facility.

Initial consideration of £2.75m will be satisfied via the issue of 971,732 shares. Further consideration of up to £930,000, also in shares, is dependent upon Ultramark's profits for the 1987 year.

Spandex's turnover for the past year improved to £10.47m and profits rose to £1.68m (£1.06m) pre-tax. From earnings of 13.3p (8p) shareholders are to receive the promised dividend of 2p.

Tax accounted for £627,000 (£454,000).

LOW & BONAR has bought Fusion Kunststoffen of the Netherlands and the outstanding 50 per cent of Rhein-Conti Kunststoff-Technik of West Germany for £8.53m cash. An additional amount up to a maximum of £1.52m may be payable on a profit-related basis. Both companies are involved in plastic rotational moulding.

Chapman record

Chapman Industries, envelope manufacturing, paper and packaging, has made good its setback and produced record pre-tax profit of £1.56m for the year ended March 28 1987. Last time the profit fell from £1m to £657,000.

With earnings rising to 23.9p (10.9p), the final dividend is 6.85p for a net total of 9.25p, compared to 8.4p.

Turnover moved up 12 per cent to £32m (£28.7m) and the operating profit advanced nearly 58 per cent to £3.1m (£1.34m). Profits were further helped by a cut in net interest charges from £684,000 to £526,000.

Tax charged was £568,000 (£202,000). There was an extraordinary debit of £154,000 relating to ending the Chapman Engineering opeartion in Balham.

Yearlings

The interest rate for this week's issue of local authority bonds is 9 per cent, down ¼ of a percentage point from last week, and compares with 9$\frac{7}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on June 8 1988.

A full list of issues will be published in tomorrow's edition.

COMMODITIES AND AGRICULTURE

Consultants offer plan to halve US stocks

By Nancy Dunne in Washington

THE US Government can cut its wheat stocks by more than 50 per cent by the end of 1988-89 if it keeps prices low and asks American farmers to keep only 20 per cent of their land out of production next year.

This conclusion was reached in a study produced by the respected Washington consulting firm of Abel, Daft and Earley for the National Association of Wheat Growers.

The study examines various programme options available to the US Department of Agriculture and finds that a combination of "more competitive pricing of wheat over the next two years" and a 20 per cent set-aside next year will increase wheat disappearance by 461m bushels and boost exports by 425m bushels.

The Agriculture Department has tentatively proposed a wheat programme next year with a 27.5 per cent set-aside, while the office of management and budget wants to require farmers to divert 30 per cent of their land from production. The USDA is also expected to cut the loan support next year from $2.28 per bushel to $2.17 per bushel.

According to the study, higher prices and a 30 per cent cutback will increase wheat disappearance by only 56m bushels

WEEKLY METALS

ALL PRICES as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,400-2,440.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 3.15-3.35.

CADMIUM: European free market, min 99.99 per cent, $ per lb, in warehouse, ingots 1.58-1.68, sticks, 1.58-1.68.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.75-7.00.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 260-270.

MALYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.74-2.86.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 48-55.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.55-2.60.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

THE LONDON Metal Exchange was pleased with the first day's operation of its newly-introduced clearing system on Monday. Just 87 out of 3,000 trades were unmatched by the end of the day.

Sweeping rule changes at New York exchange

BY STEFAN WAGSTYL

THE COMMODITY EXCHANGE in New York, the metal futures market which was swamped by a surprise surge in silver trading a month ago, has made sweeping changes in its rules and procedures.

The Comex authorities hope the measures will restore confidence in the exchange, which came under close scrutiny by the Commodity Futures and Trading Commission, the US markets watchdog, as a result of the silver affair.

Comex said yesterday: "Things are calmer than a month ago. It's back to business as usual."

In the past few days, the Comex Board has removed the limits previously imposed on the daily price fluctuations on contracts.

It has also reformed the system for processing trades in the hope of avoiding a repetition of the backlog of settling contracts which caused the market to close early three days running in order to get through the paperwork.

The decision to lift price limits on all contracts was made after the elimination on May 5 of limits on contracts for metal for delivery in the first and second month after immediate delivery. This was done because the overload in the settlement of silver trades occurred after silver rose so fast at the end of April that it hit price limits on futures contracts so trade was concentrated in the immediate delivery (or spot) contract alone.

Limits were originally imposed so as to control wild swings in prices on US commodity exchanges. However, financial futures have long traded limit-free. Traders said yesterday it was too early to say how limit-free trading would work on Comex, which trades gold, copper and aluminium as well as silver, since the markets had been fairly quiet recently.

Under the revised clearing procedures, clearing member firms, which process trades for clients, will be obliged to take over from broking traders the responsibility for feeding details directly into the exchange's computer.

Traders will have to provide the clearing member processing their trades with full information on each deal.

Four clearing companies were fined $25,000 each as a result of the snarl-up in clearing silver contracts. Since then, both the exchange and clearing members have hired extra settlement clerks. Comex said: "The April problem could not happen again. That's for sure."

Australian farm sales to fall

BY CHRIS SHERWELL IN SYDNEY

THE VOLUME of Australia's rural exports is expected to fall by 6 per cent in the year beginning in July, because of a smaller wheat crop, reduced cattle slaughterings and depleted wool stocks, the Government's Bureau of Agricultural Economics forecast yesterday.

In its detailed quarterly review of the rural economy published in Canberra, it said it expected the value of these exports also to decline in 1987-88, but by just 1 per cent from last year's record A$11.7bn.

Overall, the Bureau says, the gross value of Australian agricultural production will rise 1 per cent, to A$16.95bn (£7.45bn). The rise, it forecasts, will be the result of a moderate 7 per cent growth in wool, 2 per cent increase in meat and 5 per cent in other products, all of which should offset an estimated 22 per cent fall for wheat.

With farm costs predicted to rise by 3 per cent, the Bureau forecasts a decline of 11 per cent in the net value of overall rural production, to A$2.45bn. This would follow an increase in the current year.

On export prospects, the Bureau said supply constraints foreshadowed an even stronger decline in volume terms than in the current year. It expects wool exports to fall 6 per cent to 865,000 tonnes, having climbed 11 per cent last year to a record 925,000 tonnes. The previous record was set in 1969-70.

Wheat exports are forecast to be down 14 per cent because of a smaller crop. Wheat plantings are expected to show an 8 per cent decline.

Beef exports are expected to fall 9 per cent because of a 4 per cent drop in cattle slaughterings as herds are rebuilt.

The value of exports will nevertheless remain relatively buoyant. The export value of wool is put at a record A$3.87bn, thanks to high prices. For wheat the figure is 13 per cent lower at A$1.84bn, while beef and veal are 7 per cent lower at A$1.5bn.

Iowa to tax pesticides and nitrogen fertiliser

BY DAVID OWEN IN CHICAGO

PRODUCTION of pesticides and nitrogen fertiliser are to be taxed under a Groundwater Protection Act, which received final legislative approval recently in the hard-up midwestern farm state of Iowa.

The levies are more important as a possible harbinger of similar measures in other depressed farm belt states than for their actual size.

The nitrogen fertiliser tax has been limited to 75 cents a tonne, while pesticide manufacturers will be required to pay annual product registration fees ranging from $250 to $3,000. At that rate, even a major manufacturer, like St Louis-based Monsanto, would be unlikely to run up an annual bill of more than $50,000, according to some estimates.

The levies form part of a package of new measures, including garbage dumping fees and an additional tax on pesticide dealers, designed to raise $64.5m in the next five years to help curb groundwater pollution.

The move reflects growing local concern about pollution levels in the state's groundwater, which were deemed serious enough to warrant an in depth study in the Des Moines Register recently. In one recent study, the Iowa Geological Survey Bureau found pesticide contamination in 39 per cent of 500 wells sampled. Groundwater is the state's principal source of drinking water.

In at least one important respect, however, the Act in its current form represents a victory for industry lobbyists, who have been kept exceedingly busy, by all accounts, during the Bill's passage.

China unlikely to raise sugar imports

CHINA will not increase sugar imports substantially this year because of foreign exchange constraints and large stocks, in spite of falling production and rising domestic demand, traders said.

"In spite of rapid increases in domestic production over the last 30 years, imbalances between supply and demand continue to be extremely serious," the Farmers' Daily, an official newspaper, said. It said 1986 plantings fell due to removal of crop incentives, because farmers could earn more from other crops and because technical and seed improvements had not been widely disseminated.

Reuters reports that the 1986-1987 sugar crop had been estimated at 4.82m tonnes, down from 5.2m a year earlier, and domestic consumption at 6m tonnes a year.

Paying farmers to produce less

BY TIM DICKSON IN BRUSSELS

SHOULD THE European Community and EC Governments in future pay farmers to do nothing? The starkness of this question seemed out of keeping yesterday with the beautiful lakeside setting at Genval, near Brussels, where Community Farm Ministers concluded their half-yearly "informal" Council. But although they did not say so in as many words, that was essentially the issue being discussed and it is one which seems almost certain to be a recurring and controversial theme in farm policy debates worldwide over the next few months.

No doubt most Farm Ministers yesterday were more conscious of the crucial formal council meeting later this month which could determine the outcome of this year's stalled farm price negotiations. But once these unusually tortuous deliberations are out of the way, they know that they will also have to address even more fundamental questions about the future of the Common Agricultural Policy (CAP).

The crux of the problem is whether the present instruments of the CAP — notably support to European farmers via high guaranteed prices and financial payments improve their "structures" or efficiency — are appropriate at a time when the developed world at any rate is awash with surplus food. The foundation stone of the CAP was from the outset and still is based on the principle of market-related support but, as an increasing number of commentators have been pointing out, such a system involves a direct and costly incentive to the maintenance or even expansion of production.

Measures which would "delink" or (in the current jargon) "decouple" the level of support from amounts produced might not only reduce the extreme budgetary pressures in the EC and in the US but enable policymakers to aim their aid towards the more deserving recipients. As Australia's Prime Minister Bob Hawke told the Davos Symposium earlier this year," the most damning indictment of (agricultural) protectionism is that it just isn't working — nor could it ever have done so. The incomes of protected farmers have not recovered and farm bankruptcies are continuing."

The debate in Europe, it has to be said, is highly confused and political support for direct aids to farm incomes is growing not so much out of philosophical conviction that the old system should be overturned but out of concern that on its own it is no longer doing an adequate job. On both sides of the Atlantic there is resistance from the farm lobbies to the idea of becoming in effect "social security" recipients and in Europe there is the added difficulty that direct income support provided by national governments rather than out of the Community budget breaches the underlying principle of a common policy for the whole of the EC.

Over the last year the European Commission appears to have softened its earlier hostility to direct income support and in April it published proposals for three new schemes, which effectively formed the basis for yesterday's "informal" Ministerial talks. The Commission's idea is for an EC-wide system of agricultural income aid — co-financed by Brussels and member states and directed at farmers encountering difficulties of adjustment; a framework for purely national aids directed at farmers on very low incomes; and an incentive for older farmers to leave the land, which at the last moment was taken out of the package of so-called "socio-structural" measures approved by Farm Ministers earlier this year.

According to Mr Paul de Keersmaeker, Belgium's Agriculture Minister and currently chairman of the Farm Council, "member states expressed the

Mr Paul de Keersmaeker ... need for an "additional instrument."

opinion that there is a need to develop an additional instrument" along these lines. But there was a wide difference of opinions as to the details and a large number of unanswered questions as to the budgetary implications, the extent of direct participation by member states, and the effect on the poorer regions of the Community, whose Governments may not have the resources to subscribe to the new schemes.

Ireland and Greece are among those countries most concerned by the potential impact on their neutral budgets; the French are not enthusiastic about the principles of the scheme and remain among those most firmly committed to the price support mechanisms of the CAP; by contrast, Mr Ignaz Kiechle, the West German Farm Minister, is perhaps the most enthusiastic given the income pressure on German farmers resulting from the more restrictive price policies in Brussels.

The big question, however, is whether any new EC scheme will simply supplement existing Community support or whether it will be available as a quid pro quo for acreage reductions or less intensive production.

That is why Britain is pushing ahead with its preferred plan for a "set aside" scheme for the cereals sector, first outlined last autumn, under which farmers would be paid between Ecu 60 and Ecu 300 per hectare per year to remove an estimated 10 per cent of Community land from production. British officials were encouraged that Ministers earlier this year agreed to a scheme whereby Community farmers can be paid cash incentives if their output drops by at least 20 per cent in a given year. "This is a step on the right road," one said yesterday.

Set aside programmes are now firmly established in the US with 54.4m acres out of a total cereals crop base of 231.7m acres "taken out" under the various Government schemes during 1986. Views differ as to the effectiveness of these programmes with sceptics arguing that much of the unsown land is "marginal" and that what remains is farmed more intensively.

One of the most interesting provisions of the 1985 US Food Security Act was the so-called 50/92 scheme, under which producers could plant between 50 and 92 per cent of their land, designate at least 8 per cent to "conservation," and pick up the deficiency payments for 92 per cent of the land. Interest in the scheme is apparently picking up this year as its benefits become more widely known.

"Decoupling" theory now appears to be gaining ground in Washington and earlier this year the Administration tabled a radical proposal for a 0/92 option to be introduced next year. This would work in the sameway except that farmers could leave all their acreage idle to get the benefit of Government support. Much depends on the attitude of Congress, which is divided on the issue. Administration officials feel, however, that there is a strong chance of gaining the necessary support.

LONDON MARKETS

THE PURCHASE of 5,000 tonnes of cocoa by the International Cocoa Organisation (ICCO) buffer stock manager again failed to stem the decline in prices at the London Commodity Exchange, although overnight news that he was to re-enter the market did give some support early in the day. Purchases to date total 26,000 tonnes, but the ICCO indicator price fell further to 1,547.86 Special Drawing Rights a tonne, well below the must-buy level of 1,600 SDRs a tonne. Dealers, describing the day's trading as "fairly active," said the strength of sterling had pushed cocoa prices down further towards the close. Currency factors played a major part in trading on the London Metal Exchange. While the sterling-denominated three-month aluminium contract closed 50p down, the new 99.7 per cent purity dollar-denominated contract rose by $26 to $1,537.50 a tonne, boosted by trade buying and some speculative interest. Zinc prices rose sharply in the morning, only to lose most of the gains in the afternoon as sterling strengthened. Dealers said the early rise reflected increased nervousness over supplies if the continuing strike at Cominco's Kimberley/Trail complex lasts much longer.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High / Low
Cash	—		
3 months	1,537-38	—	1,540/530

Official closing (am): Cash ——— (———), three months 1,530-31 (1,520-1,523), settlement ——— (———). Final Kerb close: 1,534-37. Turnover:

99.5% purity	£ per tonne		
Cash	878-80	+4	877
3 months	864-5	+.5	866/863

Official closing (am): Cash 877-8 (874-5), three months 864-5 (865-5.5), settlement 878 (875). Final Kerb close: 865-6. Turnover: 11,025 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	928-30	+1.5	938/937
3 months	906-7	—	915/906

Official closing (am): Cash 938-9 (930.5-1.5), three months 910.5-12 (909-10), settlement 939 (931.5). Final Kerb close: 907.5-8.

Standard			
Cash	885-7	—6.5	—
3 months	879-81	—0.5	892

Official closing (am): Cash 892-3 (886-900), three months 886-92 (887-8), settlement 893 (900). US Producer prices 69.75-74.50 cents a pound. Total Turnover: 44,750 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	415-7	+5.5	419/417
3 months	378-9	+2.25	384/377

Official closing (am): Cash 419-20 (408-9), three months 379-80 (374-5), settlement 420 (409). Final Kerb close: 378.5-79. Turnover: 10,700 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2615-20	—42.5	2640
3 months	2640-42	+54	2664/2642

Official closing (am): Cash 2,635-40 (2,675-80), three months 2,680-1 (2,680-85), settlement 2,640 (2,680). Final Kerb close: 2,680-5. Turnover: 2,136 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	523-4	+4.75	526.5
3 months	518-9	+5.25	529/517

Official closing (am): Cash 526.5-7 (515-6), three months 520-1 (508.5-10), settlement 527 (516). Final Kerb close: 519-20. Turnover: 21,150 tonnes. US Prime Western: 415-45.75 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—
	—	—	—
	—	—	—

		Calls July	Calls Sept.	Puts July	Puts Sept.
Aluminium 99.5%	1,375	—	—	12	38
	1,400	66	64	17	50
	1,425	50	53	26	63
Copper (Grade A)	1,475	—	—	15	29
	1,475	26	32½	17	41
	1,500	17	22½	—	—
Copper (Grade A) £/tonne	900	—	—	12	21
	925	—	—	24	34
	950	—	—	—	—

TIN

KUALA LUMPUR TIN MARKET—Close: 16.66 (16.72) ringgit per kg. Down 0.06.

GOLD

GOLD BULLION (fine ounce)		June 2
Close	$454-454½	(£276½-277)
Opening	$446½-447¼	(£274½-274¾)
M'n'g fix	$449.30	(£274.499)
Aft'n'n fix	$455.00	(£276.008)

GOLD AND PLATINUM COINS		
Am Eagle	$469-472	(£285¾-287¼)
Mapleleaf	$469-472	(£285¾-287¼)
Kr'g'r'nd	$457-460	(£278¼-280¼)
½ Krug	$234½-235½	(£142¾-145¼)
¼ Krug	$117½-118½	(71½-72¼)
Angel	$460½-464½	(£280½-282¾)
1/10 Angel	$44½-49½	(£27-30¼)
New Sov	$105½-106½	(£64¼-64¾)
Old Sov	$106½-107	(£64¼-65¼)
$ 20 Eagle	$ —	—
Noble Plat	$589-599	(£358¾-364¾)

INDICES

REUTERS

June 2	June 1	M'th ago	Year ago
1617.9	1628.5	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 1	May 29	M'th ago	Year ago
Spot	137.19	136.93	—	125.75
Fut	134.97	136.86	—	114.65

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	June 2 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1545/565	+5	$1585/605
Copper			
Cash Grade A	£929	+1.5	£886
3 months	£906.5		£857.75
Gold Troy oz	$454.25	+9.75	$457.5
Lead Cash	£416	+5.5	£409
3 months	£378.5	+2.25	£349.25
Nickel			
Free Mkt	186/218c		189/208c
Palladium oz	$143.25	+5.50	$150.00
Platinum oz	$577.50	+13	$619.50
Quicksilver†	$260/270		$245/255
Silver troy oz	461.75p	+9.50	530.45p
3 months	471.70p	+9.30	541.80p
Tin			
free Mkt	£4170/190		£4100/150
Tungsten	$51.47		$50.94
Wolfram 22.04lb	$49/55		$50/56
Zinc	£523.5	+4.75	£483.00
3 months	£518.5	+5.25	£478.5
producers	$850		$790/825
OILS			
Coconut (Phil)	$435x		$405
Palm Malayan	$350z		$340
Seeds			
Copra (Phil)	$270v		$270
Soyabean (U.S.)	$152.5	—0.5	$145
GRAINS			
Barley Fut. Sept	£97.95		£99.55
Maize	£150.50		£146.00
Wheat Fut. Sept	£100.45	—0.35	£123.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1258.5	—6.0	£1286.5
Coffee Ft. Sept	£1339	—20	£1346.5
Cotton A Ind.*	79.00c	—0.55	71.05c
Gas Oil July	$154.25	+2.25	$151
Rubber (kilo)	64.00p	—0.75	61.5p
Sugar (raw)	$165.4z	+0.5	$177.5
Wooltops 64s	483p kilo		476p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v July. z June/July. x July/Aug.

SILVER

Silver was fixed 9.5p an ounce higher for spot delivery in the London bullion market yesterday at 461.75p. US cent equivalents of the fixing levels were: Spot 757.5c, up 23.65c; three-month 771.15c, up 23.7c; six-month 784.85c, up 23.95c; and 12-month 813.65c, up 23.55c. The metal opened at 458-462p (746-751c) and closed at 468-473p (772-777c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	461.75p	+9.50	467.0p	+15.0
3 months	471.70p	+9.30	476.0p	+15.5
6 months	481.05p	+9.20	—	—
12 months	500.25p	+8.75	—	—

LME—Turnover: 8 (11) lots of 10,000 ounces.

Final kerb: 475-80p.

COFFEE

Early long liquidation depressed the market but was well absorbed by scale-down buying and trade price fixation. Continued weakness out of the "C" contractor in the afternoon eased prices to close the market towards the low, reports Drexel Burnham Lambert.

COFFEE	Yesterday close	+ or —	Business done
July	1325-1330	—15.0	1338-1314
Sept	1338-1340	—20.0	1365-1338
Nov	1360-1362	—23.5	1375-1359
Jan	1375-1382	—18.0	1396-1376
Mar	1390-1402	—30.0	1412-1390
May	1400-1417	—39.0	1430
July	1420-1460	—34.5	—

Sales: 3,011 (1,894) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for June 1: Comp. daily 1979 107.25 (110.19); 15-day average 111.87 (111.89).

COCOA

In a day of quiet trading the market was unable to make its opening dues, with some support provided by the intervention of the buffer stock managed. The main trading activity was centred on the switches. There was little activity on the physical market, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1256-1257	—11.0	1265-1254
Sept	1258-1259	—6.0	1264-1255
Dec	1286-1287	—6.0	1291-1282
March	1313-1315	—6.0	[illegible]
May	1332-1335	—6.5	1338-1330
July	1353-1355	—4.5	[illegible]
Sept	1370-1372	—8.0	1375-1368

Sales: 4,504 (5,278) lots of 10 tonnes.

ICCO indicator prices (US cents a pound). Daily price for June 2: 1,547.86 (1,552.58*); ten-day average for June 3: 1,564.87 (1,559.70*).

* Official correction.

FREIGHT FUTURES

Trade selling weighed heavily on the market, triggering stop-loss selling before opportunist profit-taking emerged to bounce values up from the lows. Trading very volatile. Trend uncertain, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	909.0	935/884	945
Oct.	955.0	965/928	975
Jan.	974.5	974.5	1000
Apr.	—	—	1050
July	930.0	930	950
Oct.	970.0	970	970
Jan.	—	—	1000
April	—	—	1070
BFI.	1047.0		1069.5

Turnover: 934 (396).

GRAINS

Old crop wheat found good volume shipper selling throughout the day to close down after keen short-term profit-taking, while new crops eased after a steadier start to close with sellers on the day's lows, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	119.00	—0.75	—	—
Sep.	100.45	—0.35	97.95	—
Nov.	102.70	—0.35	100.45	+0.85
Jan.	105.55	—0.35	102.85	+0.05
Mar.	107.70	—0.35	105.25	+0.10
May	110.40	—	106.90	—0.15
July	112.75	+0.10	—	—

Business done—Wheat: July 119.50-8.90, Sept 100.55 only, Nov 102.90-2.70, Jan 105.50-5.35, March untraded, May 110.50-0.40. Sales: 213 lots of 100 tonnes. Barley: Sept 98.05-7.95, Nov 100.40 only, Jan 102.70 only, March 105.25-5.15, May untraded. Sales: 47 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Hard Winter, 13½ per cent: June 95.25, July/Aug 94.75. US Soft Red Winter: June 92.50, July 91.75, Aug 92.50. French 11½-12 per cent: June 143.00. English feed, fob: June 120.50-121.00, Sept 102.50-103.25, Oct/Dec 105.75-106.50 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: Spot 150.50. Barley: English feed, fob: June 110.00, Aug 99.50, Sept 101.00, Oct/Dec 104.00, Jan/March 108.00 buyers. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed barley: S. East 103.30; W. Midlands 105.00; N. West 105.80. The UK monetary coefficient for the week beginning Monday June 8 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

POTATOES

The morning was quiet, with market initially slipping £1.50, then remaining in limited 50p range to close £1.40 down by lunch. The afternoon saw immediate loss of confidence with values quickly falling further £2.00 to finish at day's lows. Weakness generally ascribed to forecast of widespread rains coinciding with profit-taking following recent £10.00 rise, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	95.00	95.00	94.00-93.00
Feb	102.50	105.00	—
Apr	131.70	135.00	134.40-131.60
May	144.60	148.40	—

Sales: 723 (662) lots of 40 tonnes.

SOYABEAN MEAL

Initial weakness caused by speculation and local selling was short-lived when good commercial buying supported prices. Despite a firmer sterling, commercial buying continued and prices finished on their highs on good volume, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
June	131.5-134.6	+0.75	—
August	127.4-127.6	+0.15	127.5-126.6
October	128.2-128.4	+0.05	128.0-127.2
Dec	130.5-130.8	+0.35	130.5-128.0
Feb	133.-134.2	+0.85	—
April	135.0-135.0	—	—
June	135.0-136.0	+0.25	—

Sales: 432 (237) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $165.40 (£101.20), down $4.50 (down £3.80) a tonne for June/July delivery. White sugar $189.40, down $2.10.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	150.2-150.6	145.8-144.0	150.2-145.0
Oct	156.8-157.2	151.0-151.2	157.2-115.0
Dec	160.0-150.5	155.0-155.8	158.8 158.4
Mar	165.8	158.8-160.0	165.3-161.0
May	168.2-169.0	162.8-163.0	165.0
Aug	171.0-172.8	166.0-167.0	—
Oct	175.0-175.0	167.0-169.0	170.8

Sales: 3,935 (1,626) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.00 (£209.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for June 1: Daily price 6.30 (6.46); 15-day average 6.72 (6.75).

PARIS—(FFr per tonne): Aug 1098-1100; Oct 1125-1140; Dec 1140-1155; March 1180-1185; May 1205-1225; Aug 1240-1260.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.48p per kg lw (—0.93). GB—Sheep 213.70p per kg est dcw (—17.28). GB—Pigs 78.21p per kg lw (—0.96).

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.05-17.15	—0.025
Brent Blend	18.65-18.75	+0.050
W.T.I. (1pm est)	19.50-19.55	+0.225
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	197-200	—
Gas Oil	150-152	+2
Heavy fuel Oil	102-104	+2
Naphtha	167-169	+3

GAS OIL FUTURES

Month	Yest'rdy's close US$ per tonne	+ or —	Business done
June	153.00	+2.90	[illegible]-151.7
July	154.25	+2.25	154.50-152.5
Aug	156.00	+1.50	156.75-155.0
Sept	158.00	+1.50	158.25-157.0
Oct	160.50	+2.50	161.00-159.7
Nov	162.00	+1.00	162.00-161.0

Turnover: 2,482 (2,032) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business done
June	100.00	—	100.00
July	—	—	—

US MARKETS

A WEAKENING US dollar led to the precious metals steadying throughout the day, reports Drexel Burnham Lambert. Early trade buying was superseded by local and commission house buying following Volcker's announcement. Stops and short-covering took prices in gold futures to the major resistance commencing 46.000 basis June, where trade selling emerged as the market closed with pared gains. In the silver and platinum futures, the buying met scale-up trade selling which slowed the advance. Copper futures steadied as fund buying touched off commission house stops—again, trade selling was evident. Early trade buying in crude oil futures steadied prices despite speculative and local selling. Later, as the market held steady, short-covering and commission house buying led to further advances. Early trade support in sugar futures was reinforced by mixed short-covering before trade selling at the highs prompted long-liquidation. Cocoa futures rallied on arbitrage and speculative short-covering reflecting dollar weakness and further buying by the buffer stock manager.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
June	71.35	70.25	—	—
July	69.50	68.40	69.50	68.75
Aug	68.30	67.25	—	—
Sept	67.25	66.20	67.15	66.55
Dec	66.25	65.30	66.25	66.00
Jan	66.25	65.30	—	—
March	66.25	65.30	—	—
May	66.25	65.30	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	1879	1863	1894	1875
Sept	1909	1891	1923	1906
Dec	1944	1931	1957	1943
March	1976	1964	1980	1877
May	2004	1990	—	—
July	2027	2020	—	—
Sept	2056	2050	2060	2060

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
July	114.25	114.44	116.00	113.60
Sept	115.58	115.81	117.50	115.10
Dec	117.25	116.78	118.50	116.25
March	118.01	117.99	119.00	118.00
May	119.53	119.00	119.75	119.00
July	119.25	121.28	121.28	121.00
Sept	119.50	122.33	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
June	69.40	67.05	69.40	69.10
July	69.30	68.90	69.40	67.00
Aug	68.48	65.40	—	—
Sept	67.80	65.55	67.80	66.00
Dec	67.30	65.85	67.25	66.05
Jan	67.20	65.90	—	—
March	67.00	65.90	66.50	65.70
May	67.00	66.10	—	—
July	67.00	66.30	66.30	66.30
Sept	67.05	66.50	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
July	71.10	71.85	73.40	71.00
Oct	68.50	70.20	71.45	68.40
Dec	67.98	69.13	70.45	67.88
March	68.20	69.75	71.30	68.20
May	69.00	70.05	71.50	69.00
July	69.20	70.35	71.90	69.20
Oct	65.56	66.05	65.95	65.60

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Close	Prev	High	Low
July	19.67	19.56	19.71	19.61
Aug	[illegible]	19.22	19.33	19.27
Sept	19.14	19.06	19.15	19.10
Oct	[illegible]	18.96	19.06	19.00
Nov	18.97	18.91	19.07	18.95
Dec	18.93	18.86	18.98	18.90
Jan	18.86	18.81	18.91	18.86
Feb	18.84	18.77	18.84	18.84
March	18.80	18.74	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
June	456.2	446.2	460.0	448.5
July	458.6	448.8	458.0	458.0
Aug	461.8	451.6	464.5	454.3
Oct	467.3	456.8	470.0	459.5
Dec	472.8	462.1	473.8	464.2
Feb	478.0	468.1	482.2	471.5
April	525.8	513.6	—	—
June	491.8	580.3	490.5	483.5
Oct	505.1	493.4	503.0	503.0
Dec	511.9	500.0	512.5	510.0
Feb	518.8	506.7	519.0	519.0

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
July	132.45	131.35	132.60	131.60
Sept	127.95	127.60	128.50	127.58
Nov	124.25	123.90	124.40	124.00
Jan	123.90	123.45	123.75	123.75
March	123.70	123.20	123.60	123.60
May	123.90	123.45	—	—
July	123.90	123.45	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
July	51.30	50.98	51.45	51.20
Aug	51.55	51.38	51.75	51.45
Sept	52.45	52.28	52.60	52.30
Oct	53.30	53.08	53.50	53.20
Nov	54.10	53.80	54.25	54.00
Dec	54.70	54.60	54.85	54.67
March	53.85	53.70	54.00	53.85
April	—	53.60	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	584.4	577.4	—	—
July	586.3	570.5	588.5	575.5
August	—	—	—	—
Oct	593.8	577.0	597.0	583.0
Jan	600.8	584.0	600.0	590.5
Feb	—	—	—	—
April	607.8	591.0	608.0	603.0
July	614.8	598.0	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
June	779.5	741.5	761.0	760.0
July	784.0	745.0	800.0	756.0
Aug	498.3	486.8	495.0	495.0
Sept	794.2	755.2	810.0	768.0
Dec	810.6	769.9	826.0	779.0
Jan	816.0	774.9	—	—
March	827.3	784.9	838.0	811.0
May	—	733.2	—	—
July	850.8	807.0	836.0	830.0

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
July	6.57	6.44	6.76	6.50
Sept	6.70	6.58	6.87	6.67
Oct	6.86	6.77	7.07	6.84
Jan	7.03	7.00	—	—
March	7.28	7.16	7.45	7.24
May	7.47	7.31	7.48	7.42
July	7.59	7.42	7.68	7.56
Oct	7.76	7.56	7.79	7.66

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	67.37	67.60	67.77	67.12
August	62.40	62.47	62.80	62.17
Oct	61.40	61.57	61.67	61.20
Dec	62.12	62.30	62.40	61.97
Feb	62.07	62.30	62.25	61.80
April	63.00	63.12	63.23	62.75
June	62.30	62.50	62.50	62.30

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	59.75	59.45	60.30	59.25
July	55.77	55.70	56.50	55.40
August	51.15	50.82	51.80	50.95
Oct	44.80	44.32	44.80	44.15
Dec	44.77	44.45	45.00	44.25
Feb	43.90	43.55	44.00	43.60
April	41.15	41.00	41.40	41.00
June	42.87	42.85	42.95	42.80
July	42.60	42.60	—	—

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
July	187.4	188.2	188.6	186.2
Sept	188.6	194.6	189.2	188.0
Dec	191.6	188.8	192.6	190.4
March	199.4	196.2	200.0	198.2
May	202.4	200.2	203.4	202.0
July	204.0	201.6	205.4	204.0
Sept	203.0	200.0	203.0	203.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	74.50	74.30	75.40	73.55
August	71.80	71.00	72.50	70.70
Feb	60.37	60.02	61.05	60.15
March	59.80	59.77	60.80	59.80

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	553.2	549.4	559.0	551.4
August	556.2	549.6	560.0	554.0
Sept	553.8	547.0	562.0	553.0
Nov	559.4	551.4	564.0	556.0
Jan	567.4	560.4	571.0	565.0
March	577.0	568.0	578.0	572.0
May	583.0	573.0	585.0	580.0
July	584.0	574.0	—	—
August	581.0	570.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	169.2	167.2	169.5	168.0
August	167.2	164.7	167.7	166.0
Sept	167.3	165.2	167.8	166.3
Oct	167.2	164.5	168.0	166.5
Dec	168.2	166.0	169.8	167.5
Jan	169.7	167.0	170.0	169.0
March	172.2	169.0	172.5	171.0
May	172.0	169.5	172.0	170.0
July	171.5	169.7	171.0	172.0
August	171.5	169.7	171.0	172.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.70	16.63	16.79	16.58
August	16.86	16.74	16.90	16.76
Sept	17.04	16.86	17.17	16.96
Oct	17.24	17.06	17.35	17.16
Dec	17.59	17.41	17.68	17.45
Jan	17.67	17.46	17.75	17.60
March	18.00	17.77	18.05	17.94
May	18.22	18.00	18.20	18.25
July	18.40	18.15	18.40	18.40

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	271.2	274.6	276.0	270.4
Sept	276.6	280.2	284.0	276.4
Dec	286.2	287.6	290.4	285.0
March	287.2	289.6	289.6	287.2
May	279.4	280.4	285.4	279.4
July	275.0	275.0	275.0	275.0

SPOT PRICES—Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 772.0 (734.0) cents per troy ounce. New York tin 315-20 (same) cents per pound.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar sharply lower

THE DOLLAR lost ground in currency markets yesterday, hit by the double blow of a new chairman of the US Federal Reserve Board and uncertainty ahead of the Venice summit.

News that Mr Paul Volcker had declined a third term of office took the market by surprise. His anti-inflationary stance had been seen as one of the pillars supporting the dollar. His successor Mr Alan Greenspan, was quick to stress that he believed the dollar had bottomed out and this tended to slow the dollar's decline.

However the US unit was already weaker before the announcement because of growing fears that the Venice summit, due to start on June 8, would result in further pressure being put on the West German authorities to formulate an expansionary package or face the consequence of a lower dollar.

US economic statistics released yesterday were far from encouraging, with factory orders rising just 0.2 per cent in April compared with a revised 2.6 per cent in March. The non defence element showed a fall of 0.2 per cent against a rise of 1.1 per cent in March.

The US unit managed to finish above the day's lows however, suggesting the presence of central banks. Against the D-Mark it slipped to a low of DM 1.7930 before closing at DM 1.8040 down from DM 1.8340 on Monday and Y142.15 compared with Y145.45. Elsewhere it slipped to SFr 1.4890 from SFr 1.5215 and FFr 6.0225 from FFr 6.1150.

On Bank of England figures, the dollar's exchange rate index fell from 102.3 to 100.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. May average 1.6665. Exchange rate index 72.8, unchanged from the Monday. The six months ago figure was 69.5.

Sterling finished below the day's best level but remained steady overall. Yesterday's announcement of a £4.8bn rise in UK official reserves tended to underline the larger than expected extent of central bank intervention to keep the dollar from moving too high. Fears of further central bank intervention limited the pound's upward potential and it finished at DM 2.9650 down from DM 2.98 and Y233.5 from Y236.5. Elsewhere it slipped to FFr 9.8950 from FFr 9.94 and SFr 2.4450 compared with SFr 2.4725. Against the dollar it rose to $1.6430 from $1.6255.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. May average 1.7887. Exchange rate index 147.0 against six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was quoted at DM1.8159 down from DM1.8377 on Monday.

Dealers claimed that the dollar had been overbought and that an early shake out had been merely a reaction to this. However uncertainty ahead of the Venice summit provided little incentive to carry long positions and recent comments by US and West German officials suggested that there was likely to be some hard talking before any chance of agreeing on further measures to reduce the US trade deficit.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. May average 140.55. Exchange rate index 224.1 against 204.3 six months ago.

The dollar closed slightly firmer in Tokyo but was well below the day's best level. It finished at Y145.20 down from a high of Y145.55 but slightly up from Y145.05 in New York and Y145.15 in Tokyo on Monday. Earlier assumptions that the US unit was due to test higher limits were revised after renewed fears that a lower dollar may be necessary in order to put further pressure on West Germany to copy Japan's latest programme of fiscal expansion.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0247	+1.33	+0.72	±1.5344
Danish Krone	7.85212	7.81099	−0.52	−1.13	±1.6404
German D-Mark	2.05853	2.07607	+0.85	+0.24	±1.0981
French Franc	6.90403	6.93186	+0.40	−0.21	±1.3674
Dutch Guilder	2.31943	2.33969	+0.87	+0.26	±1.5012
Irish Punt	0.768411	0.774533	+0.80	+0.19	±1.6684
Italian Lira	1483.58	1500.75	+1.16	+1.05	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 2	Latest	Previous Close
£ Spot	1.6375-1.6385	1.6285-1.6295
1 month	0.26-0.25 pm	0.24-0.22 pm
3 months	0.59-0.56 pm	0.66-0.63 pm
12 months	1.38-1.28 pm	1.65-1.55 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		June 2	Previous
8.30	am	72.9	72.7
9.00	am	73.0	72.7
10.00	am	73.0	72.7
11.00	am	73.1	72.7
Noon		73.0	72.8
1.00	pm	72.9	72.9
2.00	pm	72.9	72.9
3.00	pm	72.9	72.9
4.00	pm	72.8	72.8

POUND SPOT—FORWARD AGAINST THE POUND

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6245-1.6495	1.6425-1.6435	0.26-0.23c pm	1.79	0.59-0.53 pm	1.36
Canada	2.1808-2.2104	2.2060-2.2070	0.14-0.04c pm	0.49	0.22-0.06 pm	0.25
Netherlands	3.32¾-3.36	3.33¾-3.34¾	1⅛-⅞c pm	3.59	3⅛-2⅞ pm	3.59
Belgium	61.26-61.80	61.30-61.40	14-7c pm	2.05	33-22 pm	1.79
Denmark	11.11⅛-11.22¼	11.11⅛-11.12⅛	⅞-1½ore dis	−1.28	3⅛-4 dis	−1.28
Ireland	1.1050-1.1135	1.1050-1.1060	0.18-0.27p dis	−2.44	0.42-0.65 dis	−1.94
W. Germany	2.96-2.98¼	2.96-2.97	1⅛-1⅛pf pm	5.06	3⅞-3½ pm	4.97
Portugal	230.30-232.79	230.30-231.30	62-145c dis	−5.38	281-400 dis	−5.90
Spain	206.60-207.88	206.60-207.13	⅞-1½c dis	−6.29	2⅞-3⅞ dis	−5.56
Italy	2138½-2154½	2141-2142	1-4 lire dis	−1.40	6-10 dis	−1.49
Norway	10.98-11.05¼	10.98-10.99	4⅞-5½ ore dis	−4.03	14⅞-15¼ dis	−5.38
France	9.89-9.94¼	9.89-9.90	⅞-⅛c pm	0.76	1⅛-½ pm	0.58
Sweden	10.33⅞-10.34¼	10.33⅞-10.34⅞	⅛-½ ore dis	−0.36	1⅞-2 dis	−0.65
Japan	233-237	233-234	1⅛-⅞ y pm	5.14	3-2⅞ pm	4.93
Austria	20.80-21.00	20.80-20.83	9⅛-8⅞ gro pm	4.97	25⅛-22⅞ pm	4.56
Switzerland	2.44-2.46¼	2.44-2.45	1⅛-⅞c pm	4.91	3-2⅞ pm	4.70

Belgian rate is for convertible francs. Financial franc 61.80-61.90. Six-month forward dollar 0.88-0.85c pm. 12-month 1.35-1.25c pm.

CURRENCY RATES

June 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78618	0.697931
U.S. Dollar	5.5	1.2882	1.14321
Canadian $	7.90	*	1.53316
Austrian Sch.	4	16.4176	14.5965
Belgian Franc	7¾	48.4604	43.0247
Danish Krone	7	N/A	7.81099
Deutsche Mark	3.0	2.3392	2.07607
Neth. Guilder	4½	N/A	2.33969
French Franc	9½	7.8062	6.93186
Italian Lira	11.5	N/A	1500.75
Japanese Yen	2½	187.25	165.080
Norway Krone	8	N/A	7.65667
Spanish Peseta	—	*	144.616
Swedish Krona	7½	*	7.23309
Swiss Franc	3.5	*	1.71767
Greek Drach.	20½	*	154.974
Irish Punt	—	*	0.774533

*CS/SDR rate for June 1: 1.71877
Please note all SDR rates for May 27 Except US Dollar, Sterling and Japanese Yen

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6245-1.6495	1.6425-1.6435	0.26-0.23c pm	1.79	0.59-0.54 pm	1.36
Ireland†	1.4642-1.4912	1.4835-1.4845	0.59-0.54c pm	4.60	1.43-1.31 pm	3.72
Canada	1.3405-1.3426	1.3415-1.3425	0.13-0.16c dis	−1.30	0.35-0.40 dis	−1.12
Netherlands	2.0220-2.0655	2.0340-2.0350	0.34-0.32c pm	1.94	1.07-1.02 pm	2.04
Belgium	37.30-37.95	37.30-37.40	2pm-1c dis	0.16	5pm-par	0.27
Denmark	6.76½-6.89¾	6.76¾-6.77¼	1.00-1.70ore dis	−2.37	3.70-4.40 dis	−2.37
W. Germany	1.7930-1.8330	1.8035-1.8045	0.51-0.48pf pm	3.27	1.59-1.54pm	3.45
Portugal	140-142¾	140-140½	60-110c dis	−7.21	230-300 dis	−7.49
Spain	125.30-127.25	125.35-125.45	30-80c dis	−5.22	150-200 dis	−5.53
Italy	1297-1322½	1303¼-1303¾	3.00-4.00lire dis	−3.20	9.50-10.50dis	−3.05
Norway	6.68-6.78¼	6.68¼-6.68¾	3.90-4.40ore dis	−7.39	11.80-12.30dis	−7.16
France	5.99-6.11	6.02-6.02½	0.50-0.66c dis	−1.14	1.65-1.90 dis	−1.17
Sweden	6.27-6.37¼	6.29-6.29½	1.07-1.37ore dis	−2.32	3.65-4.05 dis	−2.44
Japan	141.00-145.25	142.10-142.20	0.43-0.40y pm	3.45	1.24-1.19 pm	3.37
Austria	12.68½-12.87½	12.68¾-12.69¾	3.60-3.20gro pm	3.19	10.00-9.00pm	2.98
Switzerland	1.4780-1.5010	1.4885-1.4895	0.38-0.33c pm	2.84	1.23-1.18 pm	3.21

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.60-37.70

CURRENCY MOVEMENTS

June 2	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.8	−20.8
U.S. Dollar	100.9	−5.8
Canadian Dollar	76.8	−11.5
Austrian Schilling	138.3	+10.2
Belgian Franc	100.2	−4.4
Danish Krone	93.3	+3.5
Deutsche Mark	147.0	+21.6
Swiss Franc	173.7	+23.3
Guilder	135.2	+14.3
French Franc	71.7	−12.9
Lira	47.4	−18.5
Yen	224.1	+66.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

June 2	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-8⅝	8⅞-8⅝	8⅞-8¾	8¾-8⅞	8¾-8⅞	8⅞-9
U.S. Dollar	6⅞-6⅞	6⅞-6⅞	7-7⅛	7¼-7⅜	7⅛-7⅜	7¼-7⅜
Can. Dollar	8¼-8½	8¼-8⅞	7⅞-8⅛	8⅛-8⅜	8¼-8½	8⅞-9
D. Guilder	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼
Sw. Franc	3-3¼	2⅞-2⅞	4⅛-4⅛	3⅞-4	3⅞-3⅞	3⅞-4⅛
Deutschmark	3⅞-3⅞	3⅞-3⅞	3¾-3⅞	3¾-3⅞	3¾-3⅞	3⅞-4
Fr. Franc	7⅞-8	8-8⅛	8⅛-8⅛	8¼-8⅜	8⅛-8⅛	8⅞-8⅞
Italian Lira	9-11	9-10	10-10½	10-10½	10⅛-10½	10½-11
B. Fr. (Fin.)	6⅞-6⅞	6⅞-7	6⅞-7⅛	7-7⅛	7⅛-7⅛	7⅛-7⅛
B. Fr. (Con.)	6⅞-6⅞	6⅞-7⅛	7-7⅛	7-7⅛	7⅛-7⅛	7¼-7⅜
Yen	3⅞-4	3⅞-3⅞	3⅞-4	3⅞-3⅞	3⅞-3⅞	3⅞-4
D. Krone	9⅞-10⅛	10-10½	9⅞-10⅛	9⅞-10⅛	10-10½	10¼-10½
Asian $Sing.	4⅛-4½	N/A	4⅛-4⅛	4⅛-4⅛	4½-4⅞	4⅞-4⅛

Long-term Eurodollars: Two years 8½-8¾ per cent; three years 8⅞-9 per cent; four years 8⅞-9⅛ per cent; five years 9-9⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

June 2	£	$
Argentina	2.6485-2.6600	1.6160-1.6220
Australia	2.2915-2.2945	1.3980-1.3990
Brazil	56.6240-56.9425	34.5480-34.7210
Finland	7.2180-7.2305	4.4020-4.4040
Greece	220.05-225.75	134.90-137.20
Hong Kong	12.8020-12.8185	7.8085-7.8095
Iran	116.50*	71.05*
Korea (Sth)	1334.30-1346.40	819.50-826.10
Kuwait	0.45700-0.45800	0.27935-0.27955
Luxembourg	61.30-61.40	37.30-37.40
Malaysia	4.0990-4.1100	2.5015-2.5030
Mexico	2082.15-2104.75	1270.00-1283.00
N. Zealand	2.8345-2.8395	1.7295-1.7325
Saudi Ar.	6.1350-6.1405	3.7500-3.7510
Singapore	3.4690-3.4760	2.1175-2.1185
S. Af. (Cm)	3.3090-3.3200	2.0200-2.0245
S. Af. (Fn)	5.6565-5.8575	3.4485-3.5715
Taiwan	51.05-51.30	31.40-31.50
U.A.E.	6.0080-6.0135	3.6725-3.6735

*Selling rate
Correction for June 1, Argentina £1.6220-1.6375

EXCHANGE CROSS RATES

June 2	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.643	2.965	233.5	9.895	2.445	3.343	2142.	2.207	61.35
$	0.609	1.	1.804	142.2	6.023	1.489	2.035	1304.	1.343	37.35
DM	0.337	0.554	1.	78.75	3.337	0.825	1.127	722.3	0.744	20.69
YEN	4.283	7.036	12.70	1000.	42.38	10.47	14.31	9171.	9.450	262.7
F Fr.	1.011	1.660	2.996	236.0	10.	2.471	3.378	2164.	2.230	62.00
S Fr.	0.409	0.672	1.213	95.50	4.047	1.	1.367	875.9	0.902	25.09
H Fl.	0.299	0.492	0.887	69.86	2.960	0.731	1.	640.7	0.660	18.35
Lira	0.467	0.767	1.385	109.0	4.621	1.142	1.561	1000.	1.030	28.65
C $	0.453	0.745	1.344	105.8	4.484	1.108	1.515	970.5	1.	27.80
B Fr.	1.630	2.678	4.833	380.6	16.13	3.985	5.448	3491.	3.597	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Volcker news hits bonds

TRADING ON the London International Financial Futures Exchange was generally quiet and featureless, until the news that Mr Paul Volcker, had declined to serve a third term as chairman of the Federal Reserve Board.

US Treasury bonds had been slightly depressed before the news, opening at 91-04 for September delivery, on the failure of the dollar to maintain its recent gains.

Dealers said the fall to a low of 88-28, reflected surprise at the timing of the announcement about Mr Volcker. No decision was expected for at least another month. The nomination of Mr Alan Greenspan, to replace Mr Volcker at the Federal Reserve, depressed bond prices largely because of the element of surprise, but the contract soon showed signs of recovery to close at 89-11, compared with 91-19 on Monday.

It was suggested that Mr Greenspan is generally held in high regard, but the market was not sure whether he would be as outspoken as Mr Volcker on subjects such as inflation and the value of the dollar.

Long term gilt futures opened firmer, at 126-27 for September delivery, following an encouraging opinion poll for the Conservatives in the morning press.

The steady performance by the pound helped underpin the contract, and there was a further improvement on news of a record underlying rise of $4.76bn in May UK official reserves, compared with $2.9bn in April.

The decline in the September gilt price to 126-16 at the close, only slightly above the day's low, and compared with 126-20 previously, was regarded as a movement in sympathy with US bonds, although there was nervousness on rumours that an opinion poll was about to put the Conservatives and Labour Party level.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	9.06	9.36	0.30	1.08
120	7.24	8.04	0.48	1.40
122	5.53	6.44	1.13	2.16
124	4.29	5.29	1.53	3.01
126	3.19	4.24	2.43	3.60
128	2.22	3.29	3.46	5.01
130	1.43	2.43	5.03	6.15
132	1.10	2.02	6.34	7.38

Estimated volume total, Calls — Puts —
Previous day's open int: Calls — Puts —

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	11.42	11.18	0.04	0.38
82	9.48	9.40	0.10	0.60
84	7.60	8.05	0.22	1.25
86	6.15	6.43	0.41	1.63
88	4.47	5.27	1.09	2.47
90	3.20	4.21	1.46	3.41
92	2.09	3.25	2.35	4.45
94	1.19	2.40	3.45	5.60

Estimated volume total, Calls — Puts —
Previous day's open int: Calls — Puts —

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last July	Puts—Last June	Puts—Last July
20500	21.11	25.40	0.11	0.40
20750	18.71	23.09	0.21	0.59
21000	16.37	20.84	0.37	0.84
21250	14.11	18.66	0.61	1.16
21500	11.96	16.59	0.96	1.59
21750	9.96	14.61	1.46	2.11
22000	9.45	12.76	3.45	2.76
22250	8.26	11.04	4.76	3.54

Estimated volume total, Calls — Puts —
Previous day's open int: Calls — Puts —

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jun.	July	Aug.	Sept.	Puts—Last Jun.	July	Aug.	Sept.
1.45	17.45	—	—	17.45	0.00	—	—	0.20
1.50	12.45	12.45	12.45	12.45	0.00	0.05	0.40	0.64
1.55	7.45	7.51	8.12	8.38	0.03	0.37	1.20	1.63
1.60	2.90	3.71	4.77	5.16	0.58	1.57	2.85	3.41
1.65	0.51	1.35	2.44	2.86	3.19	4.21	5.52	6.11
1.70	0.03	0.35	1.08	1.42	7.71	8.21	9.16	9.67
1.75	0.00	0.06	0.41	0.63	12.68	12.92	13.49	13.88

Estimated volume total, Calls — Puts 0
Previous day's open int, Calls — Puts —

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.45	12.90	—	—	12.70	0.80	—	—	1.50
1.50	15.40	15.40	—	15.40	0.25	0.25	—	0.50
1.55	12.10	12.10	—	12.30	0.20	0.30	—	0.85
1.60	3.60	4.40	5.20	5.60	0.55	1.30	2.35	2.85
1.65	1.25	1.80	2.65	3.15	2.65	3.80	4.80	5.40
1.70	0.20	0.65	1.25	1.60	7.00	7.50	8.25	8.75
1.75	0.20	0.30	0.80	0.35	11.85	11.70	11.80	12.00

Previous day's open int: Calls 766 Puts 447
Volume: 63

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.600	4.50	5.30	6.00	6.50	0.20	0.95	2.00	2.60
1.625	2.60	3.50	4.35	4.80	0.55	1.70	3.00	3.75
1.650	1.20	2.15	2.90	3.60	1.55	2.70	4.05	4.75
1.675	0.30	1.20	2.00	—	3.45	4.45	5.25	—
1.700	0.05	0.95	1.55	1.85	5.65	6.25	6.95	7.55
1.725	—	0.30	0.80	1.15	8.25	8.35	8.95	9.35
1.750	—	0.20	0.50	0.90	10.45	10.55	11.05	11.35

Previous day's open int: Calls 97,898 Puts 77,660
Previous day's volume, Calls 4,271 Puts 355

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.00	0.77	0.51	0.51	—	0.00	0.25	0.51	—
92.25	0.52	0.35	0.39	—	0.00	0.34	0.64	—
92.50	0.28	0.25	0.29	—	0.01	0.49	0.79	—
92.75	0.08	0.16	0.20	—	0.06	0.65	0.95	—
93.00	0.02	0.18	0.14	—	0.25	0.92	1.14	—
93.25	0.00	0.12	0.09	—	0.48	1.11	1.34	—
93.50	0.00	0.07	0.05	—	0.73	1.31	1.55	—

Previous day's open int: Calls — Puts —
Estimated volume, Calls — Puts —

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	126-17	127-07	126-18	126-21
Sept.	126-16	127-10	126-15	126-20
Dec.	126-10	—	—	126-14

Estimated volume 29,020 (16,052)
Previous day's open int. 25,854 (27,779)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	91.18	91.26	91.16	91.14
Sept.	91.36	91.46	91.35	91.34
Dec.	91.22	91.29	91.20	91.19
Mar.	91.02	91.10	91.02	91.02
June	90.90	90.94	90.90	90.86
Sept.	90.74	90.80	90.80	90.70

Estimated Volume 6,682 (3,290)
Previous day's open int. 23,250 (23,186)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	224.90	228.30	224.20	226.00
Sept.	229.20	232.50	228.80	230.00

Estimated volume 1,829 (1,495)
Previous day's open int. 6,687 (6,756)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	92.67	92.74	92.63	92.77
Sept.	91.98	92.18	91.91	92.26
Dec.	91.63	91.89	91.57	92.00
March	91.40	91.67	91.45	91.81
June	91.21	91.45	91.32	91.62
Sept.	91.09	—	—	91.48
Dec.	90.92	—	—	91.36
Mar.	90.79	—	—	91.23

Estimated volume 12,776 (7,958)
Previous day's open int. N/A (32,846)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	90-16	92-00	90-02	92-12
Sept.	89-11	91-04	88-28	91-19
Dec.	88-14	—	—	90-22

Estimated Volume 13,144 (5,798)
Previous day's open int. 5,172 (4,990)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6430	1.6406	1.6374	1.6345	1.6303

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.6415	1.6435	1.6340	1.6245
Sept.	1.6375	1.6400	1.6290	1.6190
Dec.	1.6370	1.6370	1.6270	1.6160
Mar.	1.6330	1.6330	—	1.6150

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6465	1.6377	1.6377	1.6262
Sept.	1.6410	1.6320	1.6255	1.6175
Dec.	1.6385	—	—	1.6135

Estimated volume 10 (260)
Previous day's open int. 686 (565)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	90-21	92-30	90-02	91-26
Sept.	89-19	91-10	89-00	90-25
Dec.	88-21	90-11	88-04	89-27
Mar.	87-19	88-21	87-19	89-00
June	87-00	87-26	87-00	88-08
Sept.	—	—	—	87-18
Dec.	85-28	85-28	85-20	86-30
Mar.	—	—	—	86-12
June	—	—	—	—
Sept.	—	—	—	85-13
Dec.	—	—	—	84-13

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	94.17	94.18	94.13	94.20
Sept.	93.32	93.39	93.26	93.44
Dec.	92.96	93.04	92.88	93.10
Mar.	92.71	92.81	92.67	92.88
Jun.	92.65	—	92.65	92.71
Sept.	92.50	—	92.50	92.57
Dec.	92.36	—	92.36	92.41
Mar.	92.23	—	92.23	92.27

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6712	0.6720	0.6660	0.6594
Sep.	0.6770	0.6777	0.6713	0.6644
Dec.	0.6826	0.6830	0.6780	0.6703
Mar.	—	—	—	0.6735

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.6988	0.6993	0.6930	0.6888
Sept.	0.7049	0.7063	0.6988	0.6944
Dec.	0.7107	0.7120	0.7047	0.7007
Mar.	—	—	—	0.7078
June	—	—	—	0.7157

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5549	0.5560	0.5510	0.5463
Sept.	0.5600	0.5612	0.5558	0.5508
Dec.	0.5644	0.5660	0.5607	0.5563
Mar.	—	—	—	0.5613

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	92.67	92.69	92.61	92.72
Sept.	92.02	92.11	91.94	92.17
Dec.	91.70	91.84	91.62	91.90
Mar.	91.46	91.59	91.40	91.68
June	91.26	91.40	91.24	91.51
Sept.	91.11	91.28	91.07	91.37
Dec.	90.98	91.14	90.96	91.23
Mar.	90.86	91.00	90.84	91.11

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	289.70	290.50	286.90	290.95
Sept.	291.60	292.45	289.00	293.00
Dec.	294.10	294.70	291.50	295.20
Mar.	295.80	—	293.50	297.20

MONEY MARKETS

Easier tone in London

IN LONDON interest rates had an easier tone, as another public opinion poll indicated a comfortable lead for the Conservative Party, in the run up to next week's UK general election.

Three-month interbank fell to 8⅞-8¾ per cent from 8⅞-8⅞ per cent, but the yield curve remained roughly flat, with call money to one-year funds quoted at 9-8⅞ per cent.

The much larger than expected rise of a record underlying $4.76bn in UK official reserves in May, compared with $2.9bn in April, had little impact. An increase of only $1bn to $3bn was forecast, but intervention by the authorities to prevent the pound rising sharply was greater than expected, although dealers suggested this occurred mainly in late April and early May, and that there had been little reason for the Bank of England to sell the pound in recent weeks.

UK clearing bank base lending rate 9 per cent since May 8

The Bank of England initially forecast a London money market shortage of £200m, but revised this to £250m at noon, and provided total help on the day of £258m.

The authorities did not operate in the market during the morning, and in the afternoon bought £258m bills outright, by way of £21m Treasury bills in band 1 at 8⅞ per cent; £5m local authority bills in band 1 at 8⅞ per cent; £119m bank bills in band 1 at 8⅞ per cent; and £113m bank bills in band 2 at 8⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £288m, with bank balances below target absorbing £85m. These outweighed Exchequer transactions adding £115m to liquidity, and a fall in the note circulation of £70m.

In New York the Federal Reserve drained reserves from the banking system, via two-day matched sales. Federal funds were rading at 6½ per cent, when the central bank entered the market to temporarily absorb liquidity.

In Frankfurt call money fell to 3.65 per cent from 3.75 per cent. The West German Bundesbank set a new tender for a 28-day securities repurchase agreement, at a minimum bid rate of 3.50 per cent.

In Paris the Bank of France left its money market intervention rate at 7¾ per cent when injecting funds into the money market, against first category paper. The intervention rate was last cut on March 9, from 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 2) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅜	offer 7½	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	8
Fed. funds	6⅞
Fed funds at intervention	6⅞

Treasury Bills and Bonds

One month	N/A	Three year	8.02
Two month	N/A	Four year	8.16
Three month	5.94	Five year	8.25
Six month	6.39	Seven year	8.45
One year	6.87	10 year	8.59
Two year	7.76	30 year	8.77

June 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.60-3.70	3.65-3.75	3.65-3.75	3.65-3.75	3.65-3.80	5.0
Paris	7⅞-7⅞	8-8⅛	8-8⅛	8⅛-8¼	8⅛-8⅜	7¾
Zurich	⅞-1½	4-4⅛	—	3⅞-4⅛	—	—
Amsterdam	5⅛-5¼	5⅛-5¼	—	5⅛-5¼	—	—
Tokyo	3.03125	3.78125	—	3.65625	—	—
Milan	10⅞-10⅞	11-11½	—	10⅞-11	—	—
Brussels	3.40	6⅞-7	—	7-7⅛	—	—
Dublin	11⅞-11⅞	11⅞-11⅞	11⅞-11½	11-11⅛	10⅞-11	—

LONDON MONEY RATES

June 2	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-8	9-8⅞	9-8⅞	8⅞-8⅞	8⅞-8⅞	9⅛-8⅞
Sterling CDs	—	—	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞
Local Authority Deposits	8⅞	8⅞	8⅞	8⅞	8⅞	8⅞
Local Authority Bonds	—	—	8⅞	8⅞	8⅞	9⅛
Discount M'ket Deposits	9-4	9	8⅞	8½	—	—
Company Deposits	8⅞-8	8⅞	9-8⅞	8⅞	8⅞	9⅛
Finance House Deposits	—	—	8⅞	8⅞	8⅞	9⅛
Treasury Bills (Buy)	—	—	8⅞	8½	—	—
Bank Bills (Buy)	—	—	8⅞	8½	8⅞	—
Fine Trade Bills (Buy)	—	—	9⅛	9⅛	9	—
Dollar CDs	—	—	7.10-7.05	7.20-7.15	7.50-7.45	7.90-7.85
SDR Linked Deposits	—	—	6⅛-5⅞	6¼-6	6⅜-6⅛	6⅞-6⅜
ECU Linked Deposits	—	—	6⅞-6⅞	6⅞-6⅞	7-6⅞	7⅛-7

Treasury Bills (sell): one-month 8⅞ per cent; three-months 8⅞ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 8.4947 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 24 to July 25, 1987, Scheme I: 10.54 p.c., Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8⅞ per cent; nine-12 months 8⅞ per cent; Under £100,000 8 per cent from June 2. Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 2 1987					MONDAY JUNE 1 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	131.75	−0.7	118.89	122.55	3.17	132.70	121.03	123.56	140.95	99.92	90.01
Austria (16)	87.25	+1.5	78.73	81.76	2.26	85.94	78.39	81.82	101.62	85.94	83.78
Belgium (47)	115.07	+1.3	103.84	106.84	4.41	113.63	103.64	106.77	123.62	96.19	77.07
Canada (129)	124.88	+0.0	112.69	121.36	2.49	124.87	113.90	120.94	136.17	100.00	99.26
Denmark (39)	118.51	+1.8	106.94	109.12	2.48	116.39	106.16	109.11	124.10	98.18	96.42
France (122)	112.20	+0.2	101.24	106.00	2.58	111.98	102.14	107.41	121.82	98.39	80.73
West Germany (90)	91.54	+0.1	82.60	85.86	2.13	91.42	83.38	87.16	100.33	84.00	78.19
Hong Kong (45)	111.43	+0.4	100.55	111.72	3.01	110.99	101.23	111.26	114.71	96.89	69.70
Ireland (14)	127.77	+1.6	115.29	121.31	3.53	125.77	114.72	121.26	131.86	99.50	82.62
Italy (76)	98.65	+1.4	89.01	96.03	1.84	97.27	88.71	96.07	112.11	94.76	94.79
Japan (458)	153.87	+1.8	138.85	138.26	0.46	151.12	137.83	138.94	161.28	100.00	74.77
Malaysia (36)	172.22	+0.9	155.41	165.97	2.28	170.72	155.72	164.86	172.22	98.24	77.04
Mexico (14)	193.41	+0.3	174.53	269.94	0.82	192.79	175.84	267.18	197.27	99.72	52.05
Netherland (38)	115.10	+0.1	103.86	106.88	4.08	115.00	104.89	108.49	120.14	99.65	87.91
New Zealand (27)	92.51	+1.3	83.47	85.03	3.14	91.31	83.28	84.19	100.59	83.93	68.63
Norway (24)	139.06	+3.5	125.49	126.18	1.97	134.32	122.52	123.70	139.86	100.00	96.55
Singapore (27)	142.35	+0.5	128.45	138.93	1.74	141.64	129.19	138.70	142.35	99.29	70.75
South Africa (61)	151.74	−1.5	136.92	116.41	3.46	154.13	140.58	118.24	186.74	100.00	78.95
Spain (43)	116.04	+1.3	104.71	110.24	3.63	114.51	104.45	110.70	121.31	100.00	84.13
Sweden (33)	113.48	+0.9	102.40	105.71	2.16	112.48	102.59	106.11	124.68	90.85	88.10
Switzerland (51)	93.01	+0.5	83.92	85.86	1.96	92.53	84.40	87.28	104.06	92.53	81.69
United Kingdom (337)	145.63	+0.9	131.41	131.41	3.17	144.32	131.63	131.63	148.66	99.65	96.46
USA (596)	118.19	−0.5	106.65	118.19	3.08	118.79	108.35	118.79	124.06	100.00	102.63
Europe (930)	118.83	+0.7	107.23	109.80	2.86	117.95	107.58	110.47	121.61	99.78	88.40
Pacific Basin (687)	151.48	+1.7	136.68	136.69	0.62	148.94	135.85	137.34	158.30	100.00	75.13
Euro–Pacific (1617)	138.46	+1.4	124.94	125.96	1.39	136.58	124.58	126.62	143.22	100.00	80.37
North America (725)	118.54	−0.5	106.97	118.38	3.05	119.11	108.64	118.93	124.60	100.00	102.45
World Ex. US (1821)	138.16	+1.3	124.67	129.78	1.45	136.39	124.40	129.91	143.09	100.00	81.00
World Ex. UK (2080)	128.85	+0.6	116.27	122.30	1.90	128.06	116.80	122.96	133.33	100.00	88.83
World Ex. So. Af. (2356)	130.21	+0.7	117.49	123.17	2.01	129.34	117.97	123.78	133.85	100.00	89.54
World Ex. Japan (1959)	119.16	−0.1	107.53	115.57	2.98	119.23	108.75	116.17	121.81	100.00	96.51
The World Index (2417)	130.34	+0.6	117.62	123.14	2.02	129.50	118.12	123.76	134.11	100.00	89.48

Base values: Dec 31, 1986 = 100

CONSTITUENT CHANGE: Trizec Ltd and Westburne Intl have been deleted (Canada).

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$420	149	43	10	55	—	—	$454
GOLD C	$440	131	30B	10	41	—	—	"
GOLD C	$460	127	20	90	32	42	40	"
GOLD C	$480	104	11.40	123	22	—	—	"
GOLD C	$500	424	6.70	55	16.50	—	—	"
GOLD C	$520	—	—	37	11.50	—	—	"
GOLD P	$360	175	0.50	—	—	—	—	"
GOLD P	$370	215	0.80	—	—	—	—	"
GOLD P	$380	40	1	—	—	—	—	
GOLD P	$420	30	4.20	4	10.50	30	11	"
GOLD P	$440	54	8	4	16	50	19	"
GOLD P	$460	145	19	5	26	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$900	260	10	—	—	20	80	$775
SILVER C	$950	—	—	—	—	52	70	"
SILVER C	$1000	5	4	25	25	29	45	"
SILVER P	$800	—	—	—	—	16	100	"
		Jun 87		Jul 87		Aug 87		
$/Fl C	Fl.200	45	4.10B	—	—	253	6.20A	Fl.203.55
$/Fl C	Fl.205	187	1.70	506	2.90A	—	—	"
$/Fl C	Fl.210	189	0.30	—	—	5	2A	"
$/Fl P	Fl.200	148	0.60	25	1.60	—	—	"
$/Fl P	Fl.205	66	2.70B	—	—	—	—	"
$/Fl P	Fl.210	69	6.80B	50	7.50B	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.200	—	—	10	7.60A	—	—	Fl.203.55
$/Fl C	Fl.205	9	4.30A	121	5.30	24	6.50A	"
$/Fl C	Fl.210	14	2.50	12	3.80A	25	4.50A	"
$/Fl C	Fl.215	10	1.50	14	2.60A	5	3.30A	"
$/Fl C	Fl.220	—	—	29	1.70A	—	—	"
$/Fl C	Fl.230	50	0.20	65	0.80	—	—	"
$/Fl P	Fl.195	—	—	30	4.20	—	—	"
$/Fl P	Fl.200	24	4	—	—	—	—	"
$/Fl P	Fl.205	4	6B	7	6.50B	—	—	"
$/Fl P	Fl.210	—	—	20	12B	10	14B	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.460	204	12.50	44	19.50	19	30.50	Fl.456.50
ABN P	Fl.460	380	13.50	19	24	29	26.50	"
AEGON C	Fl.90	156	1.70	3	3.50	10	5.70	Fl.86.40
AHOLD C	Fl.95	14	2.50	35	4.50	—	—	Fl.93.50
AHOLD P	Fl.95.50	28	3.30	—	—	—	—	"
AKZO C	Fl.140	115	1.10	69	4.80	7	6.50	Fl.129.70
AKZO P	Fl.140	178	11.20	—	—	—	—	"
AMEV C	Fl.65	49	0.90	14	2.20	3	3.50	Fl.59.80
AMEV P	Fl.70	6	10.50	27	11	—	—	"
AMRO C	Fl.75	45	1.50	55	3.80	—	—	Fl.73
AMRO P	Fl.80	96	7.30	25	8.30	—	—	"
ELSEVIER C	Fl.50	58	1	81	2.10	15	4.20	Fl.47.60
ELSEVIER P	Fl.48	112	1.40	—	—	—	—	"
GIST-BROC C	Fl.45	8	0.80	110	1.50	—	—	Fl.41.40
GIST-BROC P	Fl.40	25	0.90	—	—	10	2.10B	"
HEINEKEN C	Fl.180	53	3.20	9	6.60	—	—	Fl.173.80
HEINEKEN P	Fl.170	12	2.50	10	5	—	—	"
HOOGOVENS C	Fl.40	69	2.50	38	3.90	1	5.60	Fl.40.30
HOOGOVENS P	Fl.40	191	1.50	6	2.60	—	—	"
KLM C	Fl.50	78	0.70	579	1.50	24	2.70	Fl.44.80
KLM P	Fl.45	62	1.70	142	3.70	134	4.40	"
NED. LLOYD C	Fl.160	—	—	45	1.60	—	—	Fl.141.50
NED. LLOYD P	Fl.150	135	15.50	—	—	10	16.50	"
NAT. NED. C	Fl.75	30	0.50	152	1.60	51	2.80	Fl.66.80
NAT. NED. P	Fl.65	196	1	197	2.10B	73	3B	"
PHILIPS C	Fl.50	565	1	117	2.70	29	3.80	Fl.47.80
PHILIPS P	Fl.45	19	0.50B	266	1.60	—	—	"
ROYAL DUTCH C	Fl.260	493	4.50	309	8.20	12	13.50	Fl.250.50
ROYAL DUTCH P	Fl.250	67	2.80	326	6.80	4	8	"
ROBECO C	Fl.100	25	2.70	—	—	—	—	Fl.101.50
UNILEVER C	Fl.640	197	13	31	28.50A	20	40	Fl.628.50
UNILEVER P	Fl.620	84	9.50	25	17.50	3	27	"

TOTAL VOLUME IN CONTRACTS: 20,869

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bank	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Westpac Bank. Corp	9
Bank of Scotland	9	● Guinness Mahon	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	HFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hambro Bank	9		
Beneficial Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9½	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	C. Nat Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sumwise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

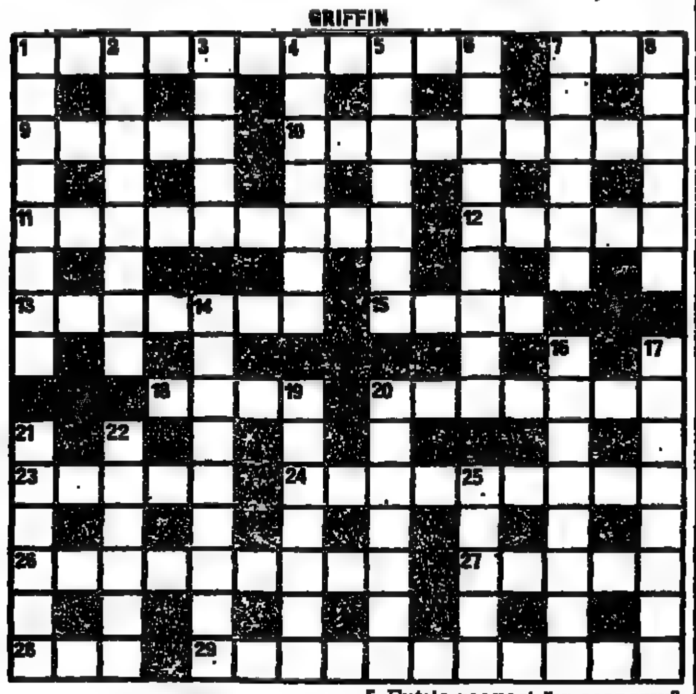
FT-Actuaries World Indices

A 59-page booklet giving details of the index coverage and selection process, together with technical appendices, can be obtained free of charge by sending a (48p) stamped, addressed A4 size envelope to:

Miss Lorraine Spong
Financial Times,
Publicity Department
Bracken House,
10 Cannon Street,
London EC4P 4BY

FT CROSSWORD PUZZLE NO. 6,342

GRIFFIN



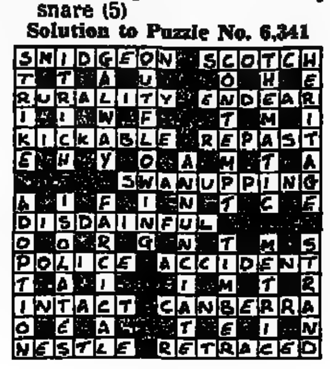
ACROSS

1 Doctor is rude about excuses for offence (11)
7 Sailor (28) missed goal (3)
9 Illegal lighting? (5)
10 So it's about three to four, say (9)
11 What's spent on port for restaurant (9)
12 Trace broken-down old car (5)
13 Corn Exchange in cash on delivery agreement (7)
15 A light frame? (4)
18 Animal doctor gets round ban (4)
20 Seem confused about flag signal (7)
23 Dance with Jack—mother's back! (5)
24 I sent Les a new key (9)
26 Dull Nina upset one couple (9)
27 Smell clean in 45 minutes (5)
28 Arrive at seven across from 'goal' (3)
29 Expansion of developer's work? (11)

DOWN

1 Disadvantage of tie to soccer player (8)
2 American climber spots bears (8)
3 Rows with nurse I left standing (5)
4 Changed faulty treadle (7)
5 Futile request for economy? (7)
6 Uses Eric's organisation in Essex, maybe (9)
7 Not one janitor travels from Troy (6)
8 Staggered when Soviet fish is included (6)
14 About four work, in effect (9)
16 Breaking trio in, curse singer (8)
17 Wine the Spanish put in a bottle holder (8)
19 Crazy lover boy admitted including everything (7)
20 Physiotherapist amuses kinky redhead (7)
21 Middle East ruler is expecting (6)
22 Result of crash course? (6)
25 Duck caught in one's clumsy snare (5)

Solution to Puzzle No. 6,341



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	105.9	112.0	-0.2	1.14
(Accum Units)	110.9	117.3	-0.2	1.14
British Blue Chip Fund	50.4	53.3	+0.7	2.34
(Accum Units)	50.4	53.3	+0.7	2.34
American Sm Co's Fd	48.5	51.3	-1.1	0.48
(Accum Units)	48.5	51.3	-1.1	0.48
American Income	49.7	52.9	+0.0	5.00
(Accum Units)	54.1	57.2	+0.0	5.00
European Growth	137.9	145.9	-0.2	0.84
(Accum Units)	142.7	151.0	-0.3	0.84
European Income	80.7	84.8	-0.2	3.54
(Accum Units)	82.9	87.2	-0.7	3.54
General	352.6	373.1	+3.2	2.11
(Accum Units)	595.7	629.7	+8.7	2.11
Gilt	90.8	91.2	+0.0	7.11
(Accum Units)	108.1	108.6	+0.0	7.11
Global Fund	48.6	51.4	+0.2	0.70
(Accum Units)	48.6	51.4	+0.2	0.70
High Interest Fund	47.9	50.6	+0.29	8.89
(Accum Units)	47.9	50.6	----	8.89
High Income Fund	49.8	52.8	+0.3	4.99
(Accum Units)	50.5	53.5	+0.4	4.99
Income	114.6	121.2	+1.1	3.45
(Accum Units)	131.4	139.0	+1.3	3.45
International	290.9	307.8	-1.9	1.32
(Accum Units)	362.2	383.2	+2.4	1.32
Japan	228.7	242.0	-1.0	0.71
(Accum Units)	234.8	248.4	-1.1	0.71
Pacific Fd	51.8	54.8	-0.3	0.10
(Accum Units)	51.8	54.8	-0.3	0.10
Recovery	286.3	302.9	+1.9	2.18
(Accum Units)	311.2	329.3	+2.0	2.18
UK Smaller Co's Fd	49.2	52.0	-0.1	1.92
(Accum Units)	49.2	52.0	-0.1	1.92
Exempt May 27	346.6	358.4	+16.3	2.19
(Accum Units)	539.9	553.6	+25.4	2.19

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	58.1	61.8	----	4.85
Accum Units	58.1	61.8	----	4.85
UK Growth Fund Acc	60.1	63.9	----	1.56
Global Income Fund	48.5	51.5	----	3.88
Accum Units	48.5	51.5	----	3.88
Global Growth Fund	47.1	50.0	----	0.50

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	115.5	122.5	+0.3	1.35

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010346

Holborn Comm Tst.	72.2	76.4	+0.3	0.40
Holborn Equity Income	63.6	68.0	+0.1	3.71
Holborn Equity Tst.	372.6	394.7	+3.1	2.31
Holborn European Tst.	111.7	118.1	+0.4	0.70
Holborn Gilt Tst.	215.5	224.5	+0.2	2.12
Holborn High Inc Tst.	82.5	87.3	+0.1	4.96
Holborn Intl Grth Tst.	114.7	121.3	-0.1	0.72
Holborn Japanese Tst.	130.8	138.4	-0.2	0.06
Holborn N. Amer. Tst.	86.5	91.5	-0.4	0.53
Holborn Sm Co. Tst.	71.3	75.4	+0.1	1.54
Holborn Spec Sits Tst.	94.5	100.0	+0.5	1.46
Holborn UK Growth Tst.	111.1	117.5	+0.6	1.99

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	617.8	668.9	----	1.68
Quadrant Income	278.3	296.9	----	4.25
Quadrant Intl. Fund	432.6	457.8	----	1.10
Quadrant Spec. Sits.	396.3	419.4	----	1.56

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	231.7	246.4	+1.8	2.33
Reliance Unit Tst (Inc)	153.8	163.5	+0.9	1.98
Reliance Ut Tst (Acc)	207.0	220.1	+1.3	1.98

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	48.3	50.8	-0.4	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	307.7	327.3	+1.9	0.83
NC America (Acc)	336.0	357.4	+1.7	0.83
NC Inc Fd.	118.8	126.3	+0.4	2.98
NC Japan Fd.	216.9	230.7	+1.2	---
NC Major UK Cos Fd	68.6	72.9	+0.2	1.62
NC Smllr Australasian	82.2	87.4	+0.7	0.50
NC Smllr Canadian CoFd	47.5	50.5	----	---
NC Smaller Cos	212.2	225.7	+3.9	0.99
NC Smaller European	[illegible]	207.2	+0.4	0.45
NC Prop.*	155.3	169.5	----	---

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Provident Institution

National Mutual of Australasia

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capitol Life Assc. Co. Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd(z)

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assur.—Contd.

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group (z)

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assur.—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd

The Analysis Group PLC

Ashville Insurance Brokers Ltd

Bryan Walls & Partners Ltd

Chase de Vere Investments Ltd

Dunbury Cohen Financial Mgt. Ltd

FPS Management Ltd.

First Financial Services PLC

Fitzroyde Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lambert & Partners Ltd.

Management & Executive Ltd

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normanton Group

O'Halloran & Co/Countrywide

PBR Fund Management Ltd.

The Porchester Group

Sharp (Albert E.) & Co

Towry Law & Co

University Medical General Ltd.

J. R. Ward & Co Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Albany Fund Management Limited

Alkany International Assurance Ltd

Alexanders Rouse (Bermuda) Ltd

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Asset Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNA—Banque de Marches et d'Arbitrage

BWP Inv Mgmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

Bankers Trust Guernsey Mngt. Ltd

The Bangkok Fund

Bankcomerica Tst Co (Jersey) Ltd

Banque Scandinave Fd. Mgrs. Ltd.

Barclays Unicorn International

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management Guernsey Ltd(a)(c)(h)

Bridge Management Ltd

Bridge Singapore Asset Mngmnt Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CRC Asset Management Limited

Capital International

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

Cortexa International

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Dealsrust Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

Elders (Switzerland) Invest. Mngt. SA

Equitable International Mngt. Ltd

Equity International Management Serv's Ltd

Equity & Law International Fund Mgs Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

Eurolife Assurance Group

Euromobiliare Fd Mngt (Guernsey) Ltd

S.G. Europe Obligations SA

Europe Prestige Fund SA

European Life (Channel Islands) Ltd

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	42	Greek 7pc Ass.	42xd		3.50	8.33
45	44	Do. 6pc 28 Stb. Ass.	44	....	3	6.82
47	45	Do 4pc Mixed Ass.	47	....	2	4.26
65	58	Hung. '24 Ass	63	.....	2.75	4.37
146½	127¾	Hydro Quebec 15pc 2011	143⅝xd	+¼	15.00	10.12
92½	85	Iceland 6½pc '83-88	85	.....	—	—
136¼	115½	Do. 14½pc Ln 2016	133	−¼	14.50	10.75
103½	94	Ireland 9¾pc '91-96	102¼	+¼	9.75	9.40
98½	95	Japan 6% '83-88	94	....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41 7/16	32⅞	Abbott Laboratories‡	36¾	−⅛	84c	—	1.4
17	11⅞	Ahmanson (H.F.)	13	.....	88c	—	4.2
31	24⅝	Alcoa $1	29¾	−¼	$1.20	—	2.5
18⅞	15⅛	¶Allegheny & W $0.01	15⅞	+⅛	30c	—	1.2
14⅞	8⅞	Amax $1	12 13/16	−⅛	—	—	—
26¾	17¼	Amdahl 5c	22	−¼	20c	—	0.6
64	50⅝	Amer. Cyanamid $5	55¾	−¼	$1.90	—	2.1
25⅞	18	Amer. Express $0.60	20⅞xd	−⅛	$1.44	—	4.3
12⅞	10	Amer. Medical Int. $1	11	+¼	¢72c	—	4.0
17⅞	14¼	American T. & T. $1	15 11/16	−⅛	$1.20	—	4.7
63	46⅞	Ameritech $1	51¼	−⅛	h$4.72	—	5.6
20¾	15½	Amfac‡	17⅝	−⅛	—	—	—
23	17⅞	Anheuser-Busch $1	20¾xd	−½	$2.00	—	6.1
	36¾	NYNEX $1	40½	−⅛	h$3.48	—	5.3
	21¾	PHH	23½	.....	$1.04	—	2.7
	19⅞	Pacificorp $3.25	21¾	.....	$2.40	—	7.0
	13⅞	Pacific Telesis $0.10	15⅞	.....	h$1.64	—	6.5
	17¾	Pall Corp. 25c	18½	.....	34c	—	1.1
	45⅞	Pennzoil 83c	51 7/16	−⅛	$2.20	—	2.6
	27 7/16	Pillsbury‡	23 7/16	−⅛	$1.00	—	2.6
	26⅞	Quaker Oats $5	30⅞	−⅛	h80c	—	1.6
	23⅞	RJR Nabisco Inc.	30½	−⅛	$1.60	—	3.2
	27⅞	Rep. NY Corpn $5	29⅞	−⅛	$1.16	—	2.4
	15 5/16	Rockwell Intl. $1	15 11/16	−⅛	$1.32	—	5.2

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int. Cr
ANZ Finance High Interest Cheque Acc.				
Minerva Hse, Montague Ct, London, SE1. 01-378 2576				
£250-£2,500	7.00	5.27	7.38	Qtr
£2,500+	9.00	6.77	9.53	Qtr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.46	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
MoneyCheq £1,000-£5,000	8.00			Mth
High Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	8.10	6.09	8.54	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	7.875	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.25	6.96	9.70	6-mth
£20,000+	9.50	7.15	9.97	6-mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	8.30	6.30	8.56	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	8.25	6.21	8.75	Mth
U S. Dollar	6.00	4.85	6.35	Mth

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅛	22⅞	Sara Lee $1	25⅝xd	–⅛	$1.00	—	2.4
11⅛	8⅞	Saul (B. F.) $1	8⅞	–⅛	20c	—	1.4
26¼	19⅞	Southwestern Bell $1	22¼	–⅛	h$2.32	—	6.3
17⅞	14¼	Staley Continental	16	.....	80c	—	3.1
44⅞	36⅛	Sun Co. Inc. $1	39⅞xd	–⅛	$3.00	—	4.6
74	57⅛	TRW Inc. $1¼	61¼xd	–⅛	$3.20	—	3.2
31	25⅞	Tenneco $5	28¼	–⅛	$3.04	—	6.5
187½	149½	Do. 10pcLn Stk. 91-5	182½xd	.....	10%	—	†5.6
26¼	17⅞	Texaco $6.25	23⅞xd	–⅛	$3.00	—	8.0
57⅛	47⅛	Time Inc. $1	56⅛	–⅝	$1.00	—	1.1
14⅛	11	Tracor $0.33	11⅞	.....	40c	—	2.1
24⅝	18⅞	Transamerica $1	20⅞xd	–⅛	$1.76	—	5.4
11⅛	922p	Transworld Corp $5	11⅞	.....	20c	—	1.1
42⅛	29⅛	TRINOVA Corp.	40½	–⅛	h$1.00	—	1.5
19⅞	15⅛	♥USX $1	18⅞	+⅛	$1.20	—	3.9
18⅛	15⅛	Union Carbide $1	17⅞	–⅛	$1.50	—	5.4
35⅛	26⅞	Utd. Technologies	27⅞	–⅛	$1.40	—	3.1
38⅝	27	US West	29⅞	–⅛	$3.28	—	6.8
£22⅞	£20½	Whirpool $1.0	£22	–⅛	—	—	—
33⅞	26	♥Woolworth $3½	29⅛	.....	$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
20½p	10p	♥Abbot Energy Corp.	20½p	.....	—	—	—
25⅛	10⅛	♥Amer. Barrick Res.	22	–½	—	—	—
955p	360p	Armeno	95½p	–5½	—	—	—
19⅛	14⅝	Bk. Montreal ‖	15⅛	.....	$2.00	—	6.0
10½	745p	Bk. Nova Scot.‖	887p	–23	72c	—	4.1
20⅝	18	BCE ‖	19⅛	–⅛	$2.40	—	5.8
960p	712p	♥Bow Valley‖	853p	–12	40c	—	2.2
19⅛	12⅝	♥Brascan‖	16	–⅛	88c	—	2.5
605p	277p	♥Breakwater Res.	398p	–3	—	—	—
11⅛	894p	Can. Imp. Bk. $2	983pxd	–9	$1.08	—	5.1
12	865p	Can. Pacific ‖	10½	–⅛	48c	—	2.1
52½	37½	Do. 4pc Deb £100	41½xd	.....	4%	—	9.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr
•152	88	Lawrence (W.)	144	+1	4.0	2.6
183	112	Do 8.5pc CnvRdPf £1	177	–½	8½%	—
53½	42	Lilley (F.J.C.)	47	–½	—	—
141	110	♥Lon. & Clydeside	138	.....	5.7	2.0
247½	199	Lovell (Y. J.)	243xd	–1	h4.0	3.6
556	396	McAlpine (Alfred)	535	.....	14.5	3.0
•461	303	McCarthy & Stone 20p	460	+3	†3.31	7.1
217	120	♥McLaughlin & H.	208	.....	7.0	♦
382	242	Magnet & Southerns	371	+1	†5.2	2.3
350	324	Manders (Hldg)	343	+1	10.0	1.9
169½	120	Marley	163	–2	4.1	♦
276	188	Marshalls Halifax	268	+3	†5.25	2.5
280	188	Maunders (John) 20p	260		15.0	4.2
424	268	Meyer Int.	419	–2	†5.75	4.5
138	38	Miller (Stan) 10p	120	–3	1.25	1.1
462	360	Mowlem (J)	450	–11	16.0	2.1
£10⅛	795	Newarthill £1	£10⅛	.....	12.5	3.4
196	158	Newman-Tonks	186	.....	7.2	1.6
405	295	Nottingham Brick	400	.....	†8.0	2.1
527	252	Persimmon 10p	527	+11	6.3	4.4
•151	84	Phoenix Timber	128	+3	—	—
480	370	Pochins	470	.....	14.0	2.7
269	166	Polyploe 10p	269	+3	†h1.65	3.2
944	679	RMC	938	+1	17.5	3.2
149	73½	Raine Inds. 10p	129	.....	†0.82	2.9
173	108	♥Rams	168	+3	†5.4	2.0
		For Randsworth Trust see Property				
•526	399	Redland	520	–3	13.0	q2.3
86	54	Rowlinson 10p	85	–1	†h0.72	5.9
171	96½	Ruberoid	169xd	+1½	h3.5	3.3
262	181	Rugby P. Cement	258	.....	7.0	2.2
291	183	Sandell Perkins	288	–2	†3.8	3.4
205	134	Sharpe & Fisher	203	–2	3.0	3.6
£11⅛	670	Sindall (Wm)	£11⅛	.....	12.0	5.2
122	87	Smart (J.) 10p	121	.....	†h4.75	1.5
588	420	Tarmac 50p	579	–5	11.09	3.2

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
35	28	Aberdeen AurPet 10p	31	-2	—	—	—	—
125	110	Allied Ins. Brokers	124	+1	L3.5	2.5	4.0	14.4
15½	9	Ardmore Pet. 'A'	15½	+½	—	—	—	—
76	45	Catalyst Comms. 5p	76	.....	—	—	—	—
98	47	Corton Beach 10p	90xd	.....	0.4	♦	0.6	♦
170	150	Crown Eyeglass 5p	165	.....	—	—	—	—
225	102	Edenspring Investment	225	.....	—	—	—	—
62	29	Eglinton Oil Ir.5p	33	+2	—	—	—	—
41	17	Do. Warrants	20	.....	—	—	—	—
53	17	Publishing Hldgs.5p	53	+8	—	—	—	30.7
58	45½	Thame Holdings	48	+1	1.0	♦	2.9	♦
138	111	Unit Group	138	+8	R4.6	2.5	4.6	(9.9)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- £ *Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.*
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based *on dividend on full capital. e Redemption yield. f Flat yield. g Assumed* dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -	Stock	Price	+ or -
Albany Inv 20p	78	.....	Fin. 13% 97/02	£111	-⅛
Craig & Rose £1	£16¾	-⅛	Arnotts	330	.....
Finlay Pkg. 5p	85	-1	CPI Hldgs	59	.....
Holt (Jos) 25p	945	.....	Carrol Inds.	143	-3
IoM Stm. £1	118	.....	Dublin Gas	18	.....
			Hall (R. & H.)	109	.....
IRISH			Helton Hldgs.	30	.....
Fund 11¾% 1988	£100⅝	.....	Irish Ropes	162	.....
Nat. 9¾% 84/89	£98⅛	+⅛	Unidare	385	+35

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	26	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	*18*	*Brit Land*	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 11	May 28	May 29	Jun 8
Jun 1	*Jun 11*	*Jun 12*	*Jun 22*
Jun 15	Jun 25	Jun 26	July 6

* New time dealings may take place from 9.00 am two business days earlier.

Erratic session leaves shares and Government bonds lower on opinion poll rumours

The UK securities markets displayed their pre-election uncertainty yesterday in a volatile session which ended with both gilts and equities turning easier as investors backed away from unsettling factors on the domestic and international fronts.

The reaction showed most sharply in equities which swung back from a gain of 20 points on the FT-SE index to a net loss of 13 points before steadying at the close.

Mr Paul Volcker's decision against a third term as chairman of the US Federal Reserve Board caught London in a nervous mood. Equities, having started in strong form after the latest opinion polls had reinforced City optimism for a Government victory on polling day, turned off abruptly on rumours—unverifiable—that a British TV poll was about to predict a "hung" Parliament. Shares steadied when Wall Street rallied from early loss but closed on a cautious note.

The FT-SE 100 index closed 8.6 down at 2219.6, after an early morning rush to buy had taken the index up 20 points to a new trading peak of 2248.8. At 1724.3, the FT Ordinary was also finally off the boil, with a net fall of 6.4.

Until mid-morning, the equity sector was aiming for a re-run of Monday's triumphant session, with the privatisation and foreign-influenced stocks driving market indices to new peaks. But the advance never broadened across the market, and profits were readily taken before the bearish poll rumours—and Mr Volcker's decision—sent prices sharply downwards.

London's initial reaction to the change at the top of the Federal Reserve was guarded, with markets inclined to take their lead from Wall Street. UK Government bonds eased cautiously at the planned departure of Mr Volcker, who has proved a sturdy opponent of inflation, both in the US and the rest of the world.

Among the international equities, Saatchi & Saatchi, the leading advertising group, came under pressure again as rumours of an impending rights issue resurfaced, to the accompaniment of City unhappiness with the US operations.

Support for the major blue chips sagged towards the close as the dollar turned easier. Sentiment was also cooled by disappointment with results from Hanson Trust.

Turnover in Government bonds was light, but prices managed to move up by about ½ point in early trading. The latest UK currency reserve figures were well taken, but had been widely predicted.

The bond sector closed marginally down on the day, with marketmakers clearly trimming positions while waiting for clarification of the rumours surrounding the latest TV opinion poll.

Hanson Trust provided a further damper to an already-depressed market, after revealing interim profits of £312m. Although doubled from the previous year, the outcome still fell substantially short of City expectation which had ranged as high as £350m.

Around 28m shares were traded before a close of 163 p, down 5½, with the encouraging tenor of Lord Hanson's accompanying statement clearly failing to mollify spirits.

Jaguar, which has suffered misfortune since last month's recall of XJ40 models for a slight modification, weakened further. Broking house James Capel has pruned its profits forecast from £127m to £121m, partly because of sterling/dollar influences.

It also expects earnings per share to fall some 10 per cent and the combined influences were sufficient to lower the shares 16½ to 520p, just short of the low for the year.

Storehouse, the retail combine headed by Sir Terence Conran and incorporating Mothercare and British Home Stores, slumped 23 to 294p as preliminary profits disappointed the City—excluding property gains, pre-tax profits came out at just over £123m, some £3m below general expectations.

Some brokers downgraded current year forecasts, with BZW recommending holders to switch to Burton. John Richards at Wood Mackenzie, however, taking a more encouraging stance, predicted Storehouse profits of around £140m this year.

The bank sector moved ahead strongly throughout the morning session but turned easier in the afternoon on news of Paul Volcker's decision to retire as chairman of the Federal Reserve.

Dealers said that although the amount of business in banks was thin the overall tone of the sector was much healthier, after the recent shakeout inspired by the investigation into credit card operations and the moves by two leading US banks to provide for loans to third world debtors.

Barclays were outstanding in the big four clearers and advanced 10 to 535p, after 547p. **Lloyds** moved up 7 to 535p. **TSB** rose 2½ to 91¼p; the interim results are scheduled for June 25.

Bank of Scotland moved up 9 to 533p following the annual meeting while **Royal Bank of Scotland**, rated a buy by BZW, edged up 3 to 351p.

Insurances included numerous features, most notably **Hogg Robinson** which jumped 24 to 478p, after 480p, amid market rumours of an imminent bid for the company. **Sturge Holdings** dipped 10 to 458p; the increased interim profits were slightly below analysts' forecasts. Composites showed **Royal** another 14 off at 455p following a profits downgrading by Scrimgeour Vickers.

Hambros Advanced Technology Trust, a venture capital concern specialising in high-technology UK companies, commanded a useful premium when dealings opened. Placed at 170p, the shares made steady progress to close at the day's highest of 198p.

Breweries lost an early head of steam to settle with only modest rises on balance. **Whitbread "A"** raced up to 354p as institutional buyers reappeared, only to fall back to close a net 6 higher at 348p, while **Bass** rose 7 to 999p. **Guinness** again marked time at 356p, and **Allied-Lyons** slipped further despite the possible sale of non-core businesses to end 7 lower at 425p.

Blue Circle advanced strongly to close 21 higher at 945p following the chairman's encouraging statement at the annual meeting. Housebuilder **Bryant Holdings** were a firm market and put on 13 to 121p following a bout of speculative buying; **English China Clays** which retains a 29.9 per cent stake in Bryant following the unsuccessful takeover bid last year, gained 15 to 486p.

Stores passed a relatively subdued session. Investment enthusiasm was somewhat restrained by a review of the sector from broking house Wood Mackenzie which downgraded its stance from "strong" to "neutral." **Combined English** rose 13 to 408p as the directors pledged their personal holdings to the offer from Mr George's Davies' **Next**, 6 up at 335p. Elsewhere, **Alexon** improved 9 to 348p ahead of annual results scheduled for June 15. **Dunhill** closed 13 dearer at 709p, awaiting today's full-year figures, while further consideration of the proposed expansion of the Halfords and Payless retail chains lifted **Ward White** another 11 to 401p.

IBL followed Monday's 40p slump with a further 14 slide to 71p in the wake of a generally poor Press response to the preliminary profits which were around half of the figure expected by analysts. **Amstrad** dropped 8 to 210p despite publicity given to the proposed September launch of a higher value personal computer in the US — the group's first product launch outside the UK. **MK Electric** continued to gain ground and put on 10 more to 470p in front of preliminary figures scheduled for June 24.

The engineering sector proved resilient and among a fair sprinkling of strong performers **James Neill** advanced 14 to 251p following the chairman's optimistic statement at the annual meeting. **Deritend Stamping** continued to respond to recent favourable Press commment and rose 22 to a 1987 high of 355p while expansion hopes boosted **Triplex** 10 to 185p. **Glynwed**, a strong market in recent days thanks to a buy recommendation from brokers Kleinwort Grieveson, touched 494p before settling 3 easier on balance at 486p following the acquisition of FIP of Genoa and FIP (UK) for a sum expected by the company to be in the region of £14m. **Westland**, depressed on Monday by fears that the company could lose out in its attempt to win a contract to supply 12 to 14 helicopters to the Brazilian navy, rallied a couple of pence to 136p.

Food Retailers were highlighted by **Tesco** which attained a new peak of 560p before settling a net 9 to the good at 546p following news of the proposed 2-for-1 scrip issue. **Dee Corporation** fell 11 to 238p amid fresh thoughts that Associated British Foods is set to dispose of its 15 per cent stake in Dee to help finance a bid for S. & W. Berisford. The last mentioned gave up 7 to 352p; news of a international joint venture with W. R. Grace of the US, was generally regarded as a defensive move, but traders still expect bid developments sooner rather than later.

Elsewhere in Foods, further considerations of the extremely disappointing full-year figures left **Thomas Borthwick** another 8½ off at 91p. **Bejam**, on the other hand, advanced 4 to 205p, aided by a profits upgrading to £27.5m by BZW. **Sims Catering Butchers** were marker 85 higher to 230p as Mr R. Randall acquired a 58.6 per cent stake from founding holders at 165p per share and offered the same terms to minority holders.

Trading statements provided the occasional bright spot among miscellaneous industrials. Foremost on the front was **De La Rue** which advanced 30 to 447p following the increased annual profits and dividend. **Sketchley** behaved in similar fashion, producing preliminary profits and dividend in line with forecasts and closed 13 better at 532p. Pharmaceuticals gave ground across the board. Second thoughts over the FDA's rejection of Genentech's TPA heart drug left **Beecham**, manufacturer of Eminase, TPA's major rival, 18 lower at 552p. **Wellcome**, 456p and **Boots**, 298p, eased 13 and 8 respectively. **BTR** fell 9 to 327p, but **BTR Nylex** of Australia advanced 8 to 365p following a "buy" recommendation from Kleinwort Grieveson.

Talk of future expansion lifted **Pacific Sales** 3 to 343p and **Hunter** 35 to 895p, the latter achieving a two-day gain of 110.

Continued speculation that the group could be planning to reorganise certain divisions boosted **Lucas Industries** 18 further to 621p, while **Dowty** gained 3 more to 269p on Monday's sizeable acquisitions. Still mirroring the excellent results, **Airflow Streamlines** rose 10 to 120p. Elsewhere, revived demand took **ERF** up to 121p, while **T. Cowie** jumped another 22 to 582p. Option business helped **Hartwwell** recover 2 to 110p, but profit-taking put **Western Motor** down 7 to 323p.

Funding possibilities continued to hold **BPCC** back and the close was a shade easier at 302p. **Fergusen Industrial** slipped 8 to 311p but **Davis S. Smith** responded to renewed expansion hopes with a gain of 14 to 346p. Record pre-tax profits lifted **Chapman Industries** 6 to 223p and **Barham** improved 5 to 202p after yesterday's annual meeting. **FKB** and **KLP** were quoted ex rights at the respective prices of 345p and 430p.

Rising City rents and increasing property values generated fresh enthusiasm for leading and secondary issues. **Land Securities** rose 6 to 530p and **British Land** gained a like amount to 255½p but **MEPC** traded more cautously awating today's interim statement and settled 4 easier at 477p. **Regentcrest** continued buoyantly, rising 25 more to 191p, while **Percy Bilton** jumped 18 to 370p. **Sheafbank**, up 14 at 67p, and **A. Caird**, 9 higher at 95p, wwere outstanding among smaller-priced shares.

John Foster strengthened further, rising 5 to 96p, on General Investments Australia acquisition of more shares which raises its overall holding to some 1.5m.

Drummond advanced 8 to 214p and **Hugh Mackay** rebounded 9 to 192p but **John Crowther** eased to 192p following its purchase of a retail and wholesale hatter.

London Investment Trust, a good market recently, improved further to 54½p on confirmation that US concern Tamarin Co had increased its shareholding sharply to over 19 per cent. Tamarin is beneficially owned by Mr Paul Dupee who has been invited to join the London IT board. Acquisition news helped **Antofagasta** rise 5 to 255p while **Argyle Trust** spurted 12 to 176p on speculation of a possible deal similar to the Tranwood/Ifincorp Earl.

British Gas surged a further 5½ to 179p, after a record 182½p following another bout of domestic and overseas buying interest, partly triggered by favourable Press comment.

BP rose to 365p early on, boosted by buying ahead of a company presentation to Japanese institutions and investment analysts as a prelude to the expected listing of BP shares in Tokyo and July, but later subsided to close a net 3 easier at 359½p.

Carless Capel fell to 115 p in the wake of the lower profits but strong demand ahead of the preliminary figures expected tomorrow boosted **Century Oil** 6 to 204p. **Great Western Resources**, expected to announce half-year results on Monday, spurted 20 to 171p.

Traded Options

Turnover in Traded Options totalled 74,400 contracts made up of 55,425 calls and 18,975 puts.

Traditional Options

- First dealings May 18
- Last dealings June 5
- Last declaration August 20
- For Settlement Sept 1

For rate indications see end of Unit Trust Service

Calls were transacted in many stocks, including **Bejam, SW Resources, Property Trust, Trimoco, Atlantic Res, Arlington, Martin Ford, Rotaprint, Cluff Oil, Norfolk Capital, Aran, Hawthorn Leslie, Astra Hldgs, Dunton, Five Oaks, Hartwell, Gibbs & Dandy** and **Burnett & Hallamshire**. A put was done in **Amstrad**, while a double was traded in **Cluff Oil**.

FINANCIAL TIMES STOCK INDICES

	June 2	June 1	May 29	May 28	May 27	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.47	92.49	92.43	92.02	91.31	91.73	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.33	97.99	98.06	97.87	97.32	96.90	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1724.3	1,730.7	1,712.1	1,678.2	1,674.1	1,320.4	1,730.7 (1/6)	1,320.2 (2/1)	1,730.7 (1/6/87)	49.4 (26/6/40)
Gold Mines 378.6	380.2	378.6	388.6	390.5	404.0	215.9	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.30	3.30	3.38	3.44	3.44	4.20				
Earnings Yld.%(full)	7.95	7.97	8.11	8.26	8.25	10.38				
P/E Ratio (net) (*)	15.45	15.43	15.17	14.89	14.92	11.79				
SEAQ Bargains (5 pm)	47,464	49,400	53,598	39,986	38,082	—				
Equity Turnover (£m)	—	1914.04	1,714.58	1,315.17	1153.10	494.98				
Equity Bargains	—	56,406	59,651	47,174	48,644	22,252				
Shares Traded (ml)	—	—	778.6	508.2	509.8	241.2				

S.E. ACTIVITY

Indices	June 1	May 29
Gilt Edged Bargains	119.2	135.7
Equity Bargains	365.5	386.5
Equity Value	3868.8	3465.6
5-Day Average		
Gilt Edged Bargains	133.3	131.3
Equity Bargains	350.1	354.8
Equity Value	2984.9	2803.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1732.2	1744.3	1740.7	1746.6	1742.2	1733.4	1726.2	1723.9

Day's High 1746.6. Day's Low 1723.9. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.15.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (288)

AMERICANS (1), CANADIANS (1), BANKS (4), BREWERS (3), BUILDINGS (16), CHEMICALS (5), STORES (10), ELECTRICALS (8), ENGINEERING (14), FOODS (6), HOTELS (2), INDUSTRIALS (41), LEISURE (9), MOTORS (4), NEWSPAPERS (3), PAPER (10), PROPERTY (18), TRUSTS (62), OILS (3), OVERSEAS TRADERS (2), PLANTATIONS (3), MINES (1).

NEW LOWS (3)

AMERICANS (1), Saul (B.F.), CHEMICALS (1), Snia BPD, INDUSTRIALS (1), Pavion Intl.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	7,000	175	+2½	Ladbroke	3,700	440	+9
Allied Lyons	2,900	425	−7	Land Securities	1,900	530	+6
Amstrad	5,925	210	−8	Legal & Gen.	1,600	320	+5
Argyll Group	2,500	470	−7	Lloyds Bank	1,700	535	+7
Assoc. Brit. Foods	1,200	404	−1	Lonrho	4,200	300½	+8½
BAT	2,200	580	−5	MEPC	1,100	477	−4
BET	1,000	285	−3	Marks & Spncr	1,900	249	−3
BOC	1,400	478	+7½	Midland Bank	359	638	−2
BPB Inds	483	805	+1	NatWest Bank	1,300	678	—
BPCC	1,800	302	−1	Next	7,400	335	+6
BTR	4,000	327	−9	Pearson	881	634	−8
Barclays	3,000	535	+10	P & O	672	690	−7
Bass	917	999	+7	Pilkington Bros	1,500	888	−8
Beecham	4,600	552	−18	Plessey	4,300	211	−3
Blue Circle	1,500	945	+21	Prudential	696	924	+19
Boots	9,600	298	−8	Racal	3,600	242	−1
Brit. Airways	9,100	157	−3	Rank Org	291	711	−12
Brit. Aero	3,200	604	+2	RHM	514	523	−2
Brit. & Comm.	171	434	−1	Reckitt & Col	165	£11⅛	+0⅛
Brit. Gas	30,000	179	+5	Redland	1,200	520	−3
Britoil	2,700	279½	−1	Reed Intl.	1,150	490	−5
BP	8,600	359½	−3	Reuters	647	739	−11
Brit. Telecom	11,000	314½	−0½	RMC	229	998	+1
Bunzl	494	244	−3	RTZ	1,500	£10⅛	+0⅛
Burton	1,500	320	−1	Rolls-Royce	8,900	138	+1
Cable & Wire	2,300	400	−12	Rowntree Mac	422	527	—
Cadbury Schwps	3,500	254	−1½	Ryl Bank Scotland	763	352	+4
Coats Viyella	1,400	671	+3	Royal Insurance	1,500	448	−21
Comm. Union	3,700	315½	−4½	STC	2,600	313	+2
Cons. Gold	1,700	£10½	+0⅛	Saatchi & Saatchi	1,100	599	−5
Cookson	573	684	−2	Sainsbury	1,400	539	−6
Courtaulds	1,450	467	+2	Scott & Newcastle	699	243	−1
Dee Corpn	5,200	238	−11	Sears	7,100	158	−1
Dixons Grp	581	378	−8	Sedgwick	905	300	−4
English China Clays	1,100	486	+15	Shell Trans	2,600	£13⅛	—
Fisons	1,700	362	—	Smith & Nephew	1,500	170½	—
Gen. Accident	721	970	−12	Standard Chart	590	808	+3
Gen. Elect	12,000	233	+2	Storehouse	12,000	294	−23
Glaxo	2,425	£16⅛	−0⅛	Sun Alliance	352	870	+6
Globe Investment	526	169	+2½	TSB	7,900	91¼	+2½
Granada	3,200	353	−1	Tarmac	1,800	579	−5
Grand Met	3,900	562	−6	Tesco	3,700	546	+9
Gus "A"	75	£13⅛	−0⅛	Thorn EMI	1,400	723	−2
Guardian R.E.	213	939	−6	Trafalgar House	2,600	373	−1
GKN	1,300	334	−1	T'house Forte	1,000	247	−1
Guinness	4,700	356	—	Unigate	865	427	—
Hanson Trust	27,000	163½	−5½	Unilever	670	£30⅛	+0⅛
Hawker Sidd	297	530	−6	United Biscuits	2,900	301	+2
Hillsdown Hldgs	5,200	292	+3	Wellcome	962	456	−13
ICI	3,100	£14⅛	+0⅛	Whitbread "A"	3,600	348	+6
Jaguar	3,550	520½	−16½	Woolworth	514	874	+3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	16	10
Corporations, Dominion and Foreign Bonds	9	10	47
Industrials	515	465	569
Financial and Properties	219	128	248
Oils	36	24	52
Plantations	6	4	4
Mines	44	81	63
Others	56	105	81
Totals	972	833	1,074

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Tuesday June 2 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*424)	390	43	60	75	6	10	16
	420	25	40	50	15	21	25
	460	10	19	28	43	47	53
Brit. Airways (*158)	140	24	28	40	5	9	12
	160	11	20	29	14	17	23
	180	4	15	20	27	31	36

[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*356)	280	87	93	—	1½	3	—
	300	67	75	—	4	8	—
	330	43	55	65	7	17	20
	360	25	37	47	22	27	32
Ladbroke (*439)	403	53	65	—	10	15	—
	420	—	—	63	—	—	25
	443	28	40	—	25	33	—

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

June 2	Price Sch%	+ or −
Creditanstalt	1890.00	−10
Goesser	2520.00	+20
Interunfall	11,950	......
Jungbunzlauer	8000	+100
Laenderbank	1750.00	−10
Perlmooser	668.00	......
Steyr-Daimler	133.00	......
Veitscher Mag	695.00	......

BELGIUM/LUXEMBOURG

June 2	Price Frs.	+ or −
B.B.L.	3900	......
Banque Gen. Du. L.	15300	......
Bank Int. A	14900	......
Bekaert B	10375	......
Ciment CBR	5040	+115
Cockerill	163	−4
Delhaize	3050	−100
EBES	4750	−65
Fabrique Nat	1800	......
GB Inno BM	1012	......
GBL (Brux) L	3680	−15
Generale Bank	6250	−50
Gevaert	6600	......
Hoboken	7100	−30
Intercom	3765	−40
Kredietbank	4350	−80
Pan Holdings	12400	......
Petrofina	10950	−50
Royale Belge	5800	......
Soc Gen Belge	3400.00	−100
Sofina	13850	−100
Solvay	11625	+1025
Stanwick Intl.	450	......
Tractebel	6990	−60
UCB	9000	−100
Wagons Lits	5350	−40

DENMARK

June 2	Price Kr.%	+ or −
Baltica Skand	960.00	+10
Cop Handelsbank	277.00	−1
D. Sukkerfab	337.00	−1
Den Danske Bank	347	......
East Asiatic	196.00	......
Forenede Bryg	865	......
GNT Holding	272.00	......
I.S.S.B. Systems	770.00	......
Jyske Bank	525	......
Novo Inds.	247.00	−3
Privatbanken	271.00	−1
Sophus Berendsen	870.00	+20
Superfos	238.00	−4

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

June 2	Price Dm.	+ or −
AEG	310	−4.9
Allianz Vers	1610	−2
BASF	281.4	−1.6
Bayer	310.8	−3.2
Bayer-Hypo	380	−10
Bayer-Verein	383	−7
BHF-Bank	407	+1
BMW	607	−10
Brown Boveri	329.5	−4.3
Commerzbank	249	−4
Cont'l Gummi	333.5	−3.5
Daimler-Benz	1006	−19
Degussa	495	−6
D'sche Babcock	210	−4.1
Deutsche Bank	604.5	−5.5
Dresdner Bank	312	−3
Feld Muehle Nob	295	−3.5
Henkel	519.5	+1.5
Hochtief	657	−25
Hoechst	280.5	−2.2
Hoesch Werke	115.5	−2
Holzmann (P)	380	......
Horten	218	−3
Hussel	518xr	......
Karstadt	439	−3
Kaufhof	487	−15
KHD	158.2	−3.4
Kloeckner	45.1	−1.9
Linde	690	−5
Lufthansa	164	......
MAN	159	−4
Mannesmann	155.5	−10
Mercedes Hld.	838	−10
Metallgesell	900	−19
Muench Rueck	1736	+36
Nixdorf	788.5	−8.5
Porsche	929	−11
Preussag	159.3	+0.8
Rhein West Elect.	218.5	−1.5
Rosenthal	240	−3
Schering	527	−6.3
Siemens	699.5	−9.5
Thyssen	117.5	−2.2
Varta	320	−2
Veba	300	−3.8
V.E.W.	163	+1
Verein-West	412	−5
Volkswagen	377	−6.5

ITALY

June 2	Price Lire	+ or −
Banca Com'le	23,600	+1
Bastogi-IRBS	652	+2
CIR	5960	+3
Credito Italian	2050	+20
Fiat	12,660	+20
Generali Assicur	130,800	+300
Italcementi	94,300	+100
La Rinascente	1200	−8
Montedison	2561	−19
[illegible]	[illegible]	[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

June 2	Price Pts.	+ or −
Banco Bilbao	1429	......
Banco Central	168.5	−857.5
Banco Exterior	430	+20
Banco Hispano	510	−15
Banco Popular	1550	......
Banco Santander	1125.00	......
Banco de Vizcaya	1855	−15
Banesto	774	−1
Dragados	706	−3
Hidrola	72.7	−1.8
Iberduero	109.5	−0.5
Petroleos	536.5	−9.5
Telefonica	1020	+851.5

SWEDEN

June 2	Price Kroner	+ or −
AGA (free)	190.00	......
Alfa-Laval	313.00	−2
ASEA (Free)	322.00	......
Astra (Free)	685.00	......
Atlas Copco	161.00	−1
Beijer A Fria	227.00	......
Cardo (Free)	235.00	......
Cellulosa	355.00	−4
Electrolux B	284.00	......
Ericsson	269.00	......
Esselte	145.00	......
[illegible]	[illegible]	[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices June 2

[illegible]

MONTREAL

Closing prices June 2

[illegible]

Indices

NEW YORK

[illegible]

TOKYO – Most Active Stocks

Tuesday, June 2, 1987

[illegible]

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
[illegible]	3,214,000	32¾	+1⅛	Gen Elec	1,675,900	52½	+1½
[illegible]	3,158,700	8⅞	unch	Allegis	1,623,500	84½	−⅛
[illegible]	2,511,800	24⅝	unch	IBM	1,622,100	157⅝	−1⅛
[illegible]	2,387,300	58⅝	+2⅝	ATT	1,583,700	25½	−¼
[illegible]	2,055,900	25⅝	−⅛	Mid-Sa Util.	1,542,400	11⅛	+⅛

Advances 485 Declines 798

LONDON – Most Active Stocks

Tuesday, June 2, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	30.8m	178	+5	Boots	9.8m	298	−8
Hanson Trust	27.0m	163½	−9½	Brit Airways	9.1m	167	−3
Gen Elect	12.8m	232	+2	Rolls Royce	8.8m	138	+1
Storehouse	12.5m	284	−23	BP	8.6m	358½	−3
Brit Telecom	11.8m	314½	−½	Next	7.4m	335	+8

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 47

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Airfl Streaml	120	+10
Apri Comp	117	+5
Barclays	535	+10
Bilton (P.)	370	+18
Bl Circle	945	+21
Bryant Hldgs.	121	+13
CML Microsys	265	+18
Caird (A.)	95	+9
Cluff Oil	99	+5
De La Rue	447	+30
Derit Stmpng	355	+22
ERF	121	+10
Energy Cap	84	+24
Eng. China Clays	486	+15
Gl. Wstrn Res.	171	+20
Hogg Robins	479	+25
Lucas Inds.	631	+18
Neill (Jas.)	251	+14
Rgntcrst	191	+25
Shfbnk Prop.	67	+14
Sims Ctrng	230	+85
Sketchley	532	+13
Smith (D. S.)	346	+14
Triplex	185	+10

FALLS:

Beecham	552	−18
Borthwick	91	−8½
Dee Corp.	238	−11
Hanson Tr.	163½	−9½
Jaguar	530½	−16½
Storehouse	294	−23

Petrobras hit by pricing

By Ann Charters in Sao Paulo

PETROBRAS, Brazil's state petroleum monopoly, yesterday reported its first quarterly loss in 33 years of operation. The loss of Cr 6.3bn ($285.9m) in the first quarter resulted from domestic pricing policies on petroleum derivatives and heavy financial expenses.

Mr Ozires Silva, president, described the results as "horrible". He called for a realistic pricing policy for petroleum products and a solution to the financial problems facing the company.

The company reported Cr 19.1bn in financial expenses and correction for inflation on long-term debt.

The expenses are equivalent to 37.8 per cent of sales and stemmed from the 48.2 per cent devaluation of the cruzado during the first quarter and increased international prices for petroleum.

These were not compensated for in the portion of revenues from domestic sales of derivatives passed back to Petrobas.

The state-run electric monopolies also failed to pay Petrobras Cr 8.2bn for fuel oil.

In the first quarter Petrobras made investments of Cr 10.8bn, with 82 per cent channelled into exploration and production.

Maffei looks to profits by 1988

BY DAVID MARSH IN MUNICH

KRAUSS MAFFEI, the Munich-based manufacturer of West Germany's Leopard-2 tank, managed to break even last year after a similar result in 1985, but hopes to make clear profits by 1988, according to Mr Burkhard Wollschlaeger, the chairman.

Group turnover last year fell 10 per cent to DM 1.8bn from DM 2bn in 1985. Defence sales totalled DM 1.4bn, down 13 per cent from 1985, making up 74.2 per cent of sales against 77 per cent in 1985. This reflected declining deliveries of Leopard tanks, which are made mainly for the West German army.

The parent company registered net profits of DM 100,000 last year, the same as in 1985, after profits of DM 4.5m in 1984.

The company, which celebrated its 100th year of business last year, is making a big effort to build up civilian activities in areas like plastics, transport and automation to compensate for the fall in tank business.

The company is producing only five Leopard-2 tanks a month, compared with 20 during the peak period of orders for West Germany, the Netherlands and Switzerland a few years ago.

The last batch of Leopard deliveries for the Bundeswehr was completed in March, with the next group of 150 tanks not due for delivery until January next year, spread over a period to 1 March 1989.

The timing of further deliveries after this had been thrown into doubt by a squeeze on the Bonn defence budget.

With export orders for the Leopard now highly problematic, Krauss Maffei is resigned to seeing defence turnover fall further – providing an added impetus to efforts to boost its civilian business.

Group workforce fell by about 200 last year to 5,000 at the end of 1986, with another 300 jobs due to be lost this year.

Krauss Maffei is due to raise its basic capital by a nominal DM 8m to DM 24m next year. Timing and details are not yet fixed.

The Bavarian Government owns 25.4 per cent of the capital, with a joint subsidiary of Messerschmitt Bölkow Blohm and the Nuremberg-based Diehl ordnance group owning 24.95 per cent and three West German banks each holding around 10 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.7	21	217	29¾	29¼	29⅝	
37	21⅞	ADT	.92	3.0	17	227	30⅝	30½	30½	−⅛
27¾	16¾	AFG s	.16	.6	12	1013	27¼	26½	26½	−⅝
22⅜	6⅝	AGS s			20	356	20¼	19½	19½	−1
13	6¾	AMCA				8	7⅞	7⅞	7⅞	−⅛
9⅝	4⅞	AM Intl				768	6⅝	6½	6½	
62⅞	47¼	AMR			12	2035	57½	56½	57	
27½	24⅞	ANR pf 2.67		11.		2	25	25	25	
11¾	8	ARX s			12	225	10⅜	10⅛	10⅜	−⅛
73½	28¾	ASA	2a	3.3		1686	60½	58½	60⅜	+2⅜
20	9¾	AVX		1.9	84	311	17¼	16⅞	16⅞	−½
67	41	AbtLab	1	1.7	24	2977	60⅜	58⅝	59⅛	−⅞
23⅛	16⅝	AccoWs .44		2.2	18	416	20	19⅞	19⅞	
15⅛	9	AcmeC .40		3.2	9	93	12⅞	12⅝	12⅝	
8⅜	6⅛	AcmeE .32b		4.1	30	24	7¾	7¾	7¾	
23⅞	19	AdaEx 3.42e		16.		93	21½	21¼	21⅜	
19½	11⅜	AdmM s .24		1.5	12	6	16	16	16	−¼
21½	12⅛	AdvSys .62t		3.2	15	85	19¾	19¼	19⅜	−⅞
26⅝	12⅞	AMD				3994	22	21⅜	21⅜	−¾
54¾	49⅜	AMD pf	3	5.7		322	53	52¼	52¾	−¼
10¾	5¼	Adobe				108	9⅜	9¼	9⅜	+⅛
20½	13¾	Adob pf 1.84		9.6		6	19⅛	18⅞	19⅛	+⅜
21⅞	16⅜	Adob pf 2.40		12.		13	21	20¾	20¾	
16⅝	10⅜	Advest .12a		.9	9	97	13⅛	13	13	+⅛
68¼	53	AetnLf 2.76		4.8	9	1673	57½	57	57¼	
53⅝	51⅞	AetL pf3.75e		7.2		37	52½	52¼	52⅜	−⅛
60	28⅛	AflPb s .32		.6	30	435	58⅛	57	58	−⅜
28¾	18⅝	Ahmans .88		4.5	6	13304	21¼	19⅝	19½	−1¾
5¾	2⅞	Aileen				111	4⅝	4⅜	4½	
48½	29⅛	AirPrd .80		1.9	238	846	43½	42½	42⅞	−⅝
36	16	AirbFrt .60		1.8	13	135	33⅞	33⅝	33⅝	+⅛
12	7⅝	Airgas n				66	11	10¾	10⅞	−⅛
20⅜	16¼	Airlea n1.03e		6.1		225	17	16¾	17	+¼
17-32	¼	AlMoan				68	13-32	⅜	13-32	+1-32
10¾	8⅞	AlaP dpf.87		8.8		44	10	9⅞	9⅞	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅝	12⅞	BCelts n.35e		2.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28	20⅜	BosEd s1.76		8.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
103	94	BosE pf8.88		9.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	14⅞	BosE pr1.46		9.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43¼	23⅜	Bowatr .80		2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	31½	BrigSt 1.60		4.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
111⅝	67¼	BristM 2.80		2.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
55¾	33⅝	BrstM wi			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29½	16⅛	BrAir pp			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26½	23⅝	BGas2 pp			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73	33½	BritPt 2.82e		3.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
52⅝	28	BritTel 1.39e		2.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12⅛	7½	Brock n			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1¾	11-16	Brock pf			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44¾	22	Brckw s .96		2.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28⅞	26¼	BrokHl n1.02r		3.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29⅞	22⅝	BklyUG1.86		6.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30¾	26⅞	BkUG pf2.47		8.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28¼	16½	BwnSh .40		2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	31	BrwnGp .50		4.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31¾	17⅝	BrwnF s			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49½	26½	Brnswk .60		1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24¾	13¼	Brnsw wi			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44½	25⅛	BrshWl .60		1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24¼	19¾	Buckeye2.20		9.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28⅞	21⅜	Bundy .92		3.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23½	18¾	BunkrH2.16		11.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21⅞	18	BKInv 1.88		9.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34½	15⅞	BurlnCt			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77	32¾	BurlInd1.64		2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77	46½	BrlNth 2		2.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9⅝	7⅞	BrlNo pf .55		6.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
18	11¼	Burndy			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C C C

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	29⅞	CBI In .80		2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24¼	17	PiedNG1.32		6.4	10	63	20⅝	20½	20½	
19¼	10⅛	Pier 1 s.08b		.5	25	2295	16⅞	15⅞	16⅝	+⅝
11	7¼	PilgRg .26e		3.4		78	7⅞	7⅝	7¾	
15⅝	9¼	PilgPr n.02e		.2	12	x261	12	11⅞	12	+⅜
46⅞	32⅜	Pilsby s 1		2.6	17	2776	38⅞	38	38½	+¼
32¾	26½	PinWst2.80		9.0	9	652	31	30⅝	31	+¼
35½	21⅞	PionrEl.13e		.4		23	32¾	32⅝	32⅝	
45⅞	27⅞	PitnyB s.76		2.0	17	1269	37½	36¾	37½	+½
15½	10½	Pittstn			48	2512	u15¾	15⅛	15⅝	+⅝
33¾	20¾	[illegible]		.2	73	38	31½	31	31½	+⅝
25⅞	14¼	Planten .16		.8	16	59	20½	19⅞	20¼	−½
14¾	6⅞	Playboy				28	13⅝	13⅝	13⅝	
40¾	23½	Plessy 1e		2.9		1	34¾	34¾	34¾	−¼
8⅝	4¼	PogoPd				133	7⅞	7½	7⅞	+⅜
85½	55¼	Polarid1.20		1.6	20	1105	73¾	73	73½	−⅛
42⅞	27⅝	Polard wi				1	37	37	37	−⅜
21¾	8⅞	PopTals			10	63	19⅞	19⅝	19⅞	+⅛
20½	11⅛	Portec				12	12	11¾	11¾	−½
36¾	22½	PortGC1.96		7.4	14	648	26⅞	26⅝	26⅝	−⅞
29⅝	25⅝	PorG pf2.60		9.2		5	28½	28¼	28¼	−¼
34⅝	30⅛	PorG pf4.32		14.		17	31½	31¼	31¼	−⅛
41⅞	23¾	Potlchs.84		2.6	12	719	32½	31⅞	32	+⅜
88	64½	Potlt pf 3.75		5.3		3	70⅞	70⅝	70⅞	+⅛
25⅝	21¼	PotmE s1.30		6.0	10	1021	22¼	21½	21½	−⅜
25⅞	17½	Premk n.32		1.2		244	26⅝	26¼	26⅝	−⅛
40	25¼	Premln .44		1.2	24	53	36⅝	36	36	−½
29⅝	23⅞	Primrk 1.30		5.0	10	280	26⅝	26⅛	26¼	−⅛
29½	15⅝	PrimeC			25	4650	26⅝	25⅞	26	−½
45½	24½	[illegible]		.2	23	368	38	37	38	−⅛
21¾	18½	[illegible]		2.7		38	20	19⅝	20	
53½	35⅝	Primca1.60		3.8	11	3199	42¼	40⅝	41¾	−⅜
91⅝	62½	Prime pf 3		4.1		20	73¼	72¾	73¼	+3¼
116½	112	Prime pf13.75		12.		17	115¼	115¼	115¼	−¾
98⅝	66⅞	ProctG2.70		2.8	20	4756	92¾	91½	92¼	+1¼

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Volcker news sparks sharp fall in bonds

WALL STREET

A STEEP SLIDE in bond prices and the dollar contrasted sharply with only modest declines in stock prices as Wall Street markets came to grips yesterday with Mr Paul Volcker's surprise departure from the Federal Reserve Board, *writes Roderick Oram in New York.*

Credit markets were concerned that the dollar's steep fall would boost the rate of inflation and deter foreign investors from US markets. Consequently, precious metals and commodities prices jumped and financial futures tumbled. In the cash bond market the price of the benchmark long bond fell almost 3½ points.

The stock markets' initial negative reaction was short lived with the Dow Jones industrial average bouncing back from a 22 point drop. Mr Alan Greenspan, Mr Volcker's replacement as Fed chairman is well respected on Wall Street as an economist. From a stock market point of view, a small increase in inflation would be acceptable because it would increase company earnings.

Stocks drifted a little lower during the afternoon with the Dow industrials closing down 10.01 points at 2,278.10. The Standard & Poor's 500 index was off 1.37 points at 288.46 and the New York Stock Exchange composite index lost 0.71 points at 162.77.

NYSE volume was moderate at 153.4m shares with declining shares outnumbering those rising by a ratio of three-to-two.

Gold mining stocks benefited from the sharp drop in the dollar and rise in gold prices on news of Mr Volcker's replacement. Newmont Mining added $2¼ to $100, ASA rose $2⅝ to $60⅝, Callahan Mining added $2⅝ to $31¼ and Homestake gained $2 to $36½.

Rumoured and actual takeover stocks continued to attract a high level of trading. Gillette rose $1⅛ to $32¼ on 3.5m shares by early afternoon amid rumours that Sir James Goldsmith, the Anglo-French raider, was buying the stock.

Harcourt Brace Jovanovich gained $2⅝ to $58⅝ on heavy volume following calculations from several analysts that the shares could be worth more than $55 a share in five years time after the publisher's proposed recapitalisation which will reward investors immediately with a large special dividend or buyback of shares.

Genentech slipped a further $¼ to $35½ on heavy volume. It had fallen $11¾ on Monday after regulatory approval for a new drug was delayed.

Credit markets stabilised initially at lower prices after the shock that Mr Volcker had declined to serve again as Fed chairman. But the fall resumed in early afternoon after news agency repetition of recent comments from Mr Greenspan about a further decline in the dollar sparked heavy selling pressure on the dollar which in turn pushed bonds down further.

The price of the benchmark 8.75 per cent was off 3½ points in late afternoon at 98⅝-yielding 8.92 per cent, representing an almost 30 basis point rise in the first two days of this week.

Trading remained active although some investors were interested in buying at these lower prices, some traders said. At the short end the bond equivalent yields on three month Treasury bills slipped about five basis points to 5.90 while they rose about seven basis points to 6.43 per cent and 6.91 per cent on six-month and year bills respectively.

The economics news, released before Mr Greenspan's nomination was announced, had negligible effect on the markets. Factory orders rose 0.2 per cent in April against a forecast of a small downturn.

CANADA

THE RISE in bullion prices following Mr Volcker's decision not to serve another term lifted share prices in Toronto as gold issues moved strongly higher in heavy turnover.

Echo Bay recovered C$1½ to C$48⅞ while Lacana put on C$1¼ to C$17¼ and Lac Minerals added C$1¼ to C$45.00.

In strong non-precious metals, Placer gained C$⅝ to C$22¼ and Falconbridge C$⅛ to C$20⅜.

Bell Canada Enterprises, whose telephone unit has applied to cut Canadian long distance rates, added C$¼ to C$42¼.

Banks were mainly lower, however, with Royal Bank of Canada losing C$⅜ to C$33⅛. The bank reported lower second quarter and first half earnings after classifying C$1.3bn in medium and long-term loans to Brazil as non-accrual. Canadian Imperial Bank of Commerce was C$⅜ lower at C$21⅛.

In Montreal, industrials and utilities moved ahead but banks fell back. Vancouver rose.

SOUTH AFRICA

GOLDS failed to take inspiration from the higher bullion price and drifted lower in trade which was markedly nervous before today's budget.

The biggest fallers among golds were Randfontein and Vaal Reefs, which lost R20 and R14 respectively to R465 and R398. Southvaal, also a heavyweight, dropped R5 to R210.

Mining shares lost out, De Beers by R1.10 to R38.50 and Impala, the platinum stock, by 50 cents to R48. Copper stock Palabora fell R1 to R32 but manganese and ferroalloy share Samanco stayed at R7.75.

Industrials eased and Barlow Rand, the sector leader, was 50 cents down at R24.75. South African Breweries gave up 70 cents to R17.80 and Sasol, the oil from coal share, was 25 cents lower at R11.50.

EUROPE

Frankfurt, Zurich succumb to $ gloom

THE DOLLAR'S relapse spread gloom through European bourses, most of which closed before news of Mr Paul Volcker's resignation from the chairmanship of the US Federal Reserve Bank.

Frankfurt retreated broadly as the dollars's slide promted widespread domestic selling of blue chips.

Cars slipped back from recent gains. Daimler lost DM 19 to DM 1,006 and BMW dipped DM 10 to DM 607, VW gave up DM 6.50 to DM 377 as speculation grew that the big banks will hold management responsible for the car group's DM 480m currency fraud loss at the forthcoming shareholders' meeting.

Machinery issues were hurt by news that sector orders fell 16 per cent in April. Mannesmann plunged DM 10 to DM 155 after revealing a 58 per cent fall in net group profits for 1986. Linde fell DM 5 to DM 690 and MAN DM 4 to DM 155.

Bonds firmed in lively trade following the dollar's fall. The Bundesbank sold DM 101.9m of paper after buying 142.2m on Monday.

Elsewhere, Rheinmetall Berlin subsidiary Jagenberg announced plans to launch a nominal DM 15m worth of non-voting preference shares on the Düsseldorf bourse.

London dips amid election jitters

AFTER a triumphant start in which the FT-SE 100 index added 20 points, equities and gilts both eased as jitters sparked by a TV opinion poll which was rumoured to project a hung parliament were compounded by news of Mr Paul Volcker's decision to stand down as chairman of the US Federal Reserve Board.

The FT-SE 100 index closed down 8.6 at 2,219.6 and the FT Ordinary index was 6.4 lower at 1,724.3. Support for blue chips fell away as the dollar gave up more ground and profit taking soon pulled the market lower. Shares steadied in later trading following Wall Street's rally from its earlier losses.

UK Government bonds fell in cautious trade on news of Mr Volcker's decision after having made a firm morning start. Details Page 44.

Zurich dipped steeply under the combined weight of the dollar's slide and selling in the wake of recent capital increases by big companies.

Bank and insurance shares continued their fall, led by insurer Zurich, which saw its registered shares trimmed SFr 175 to SFr 2,825. Winterthur said its growth was on target but fell SFr 325 to SFr 5,875.

Employment group Aida said they plan to introduce a new type of non-voting paper known as beneficiary certificates, entitled to a 10th of the financial rights attached to a registered share. The stock fell SFr 500 to SFr 11,000.

Industrials also weakened, with Brown Boveri bearer SFr 65 lower at SFr 2,005, and chemicals gave ground.

Brussels declined across the board on profit-taking sparked by renewed fears that the Government may not survive the language row unscathed. The stock exchange index lost 3.88 at 4,535.84.

Chemical stock Solvay was an exception, soaring BFr 1,025 to BFr 11,825 following news of higher profits. In the same sectur UCB shed BFr 100 to BFr 9,000.

Holdings fell further. Reserve lost BFr 100 to BFr 3,400. In utilities Electrafina more than wiped out Monday's gain with a BFr 150 fall to BFr 7,150.

Paris fell again in quiet trade affected by the dollar's fall and the feeling that West German money rates are unlikely to fall shortly.

Food issues featured among losers. BSN fell FFr 80 to FFr 5,060 and Möet-Hennessy FFr 30 to FFr 2,476.

Peugeot led car stocks lower with a further fall of FFr 25 to FFr 1,550. Construction blue chip Bouygues gave up FFr 12 to FFr 1,139.

Amsterdam, which was open as Mr Volcker announced his intention to resign from the Federal Reserve, weakened in a sell-off prompted by the dollar's late slide following the news.

News that ABN is to issue preferential shares and dilute share cepital by 13 per cent came after the close. Its stock rose Fl 4 on the session to Fl 456.50.

Internationals eased slightly with the dollar, though there was some support from speculative buying. Unilever shed Fl 9 to Fl 628.50, Royal Dutch Fl 1 to Fl 255.50 and KLM 90 cents to Fl 44.80.

Insurer Nationale Netherlanden fell Fl 1.30 to Fl 66.80 although it announced a 4.4 per cent rise in first-quarter profit.

Milan gave ground in trade still subdued by the prospect of this month's elections. Fiat, however, posted a moderate gain of L52 to L12,650 as blue chips generally held their ground and insurers moved slightly ahead.

Madrid drifted lower in dull trade with banks and chemicals leading the trend. Telefonica gave up ¼ of a point to 168½ per cent of nominal market value.

Stockholm was down as institutionals stayed hesitantly on the sidelines amid currency uncertainty and despite encouraging news of higher car registrations and lower interest rates.

Aga was steady at SKr 190 following news that its takeover bid for France's Duffour et Igon has been approved by the company's board.

Oslo was buoyantly higher on the back of improved oil prices.

Foreigners quitting Stockholm, Page 29

Tie Rack aims high with UK issue price

By Alice Rawsthorn in London

TIE RACK, a UK company formed just six years ago to establish a chain of shops selling men's ties, is joining the stock market in one of the most expensive flotations the City of London has ever seen.

Yesterday Tie Rack unveiled proposals for its offer for sale in which it will issue 8.6m shares priced at 145p ($2.35) each with an historic price/earnings ratio of 31.5. This is thought to be one of the highest multiples for a new issue in the history of the London market.

In recent months the new issues market has shown unprecedented buoyancy, fuelled by the paucity of public offers and the influx of individuals coaxed into equity investment by the Government's privatisation programme.

As the head of investment at a leading investment institution put it: "When confidence is so high any company with a good story to tell, can name its own price."

Tie Rack's story dates back to 1981 when Mr Roy Bishko, the present chairman and chief executive, set up a shoe repair shop on Oxford Street in London. His enthusiasm for heeling shoes swiftly faded and he devoted the shop to ties under the banner "Ties – Huge Selection – Sensational value."

Since then Tie Rack has established a chain of 115 shops, 18 of them overseas. In the UK, most of the shops are franchised units modelled on the McDonald's fast food concept.

Tie Rack even sports a "School of Ties" training centre based on the infamous McDonald's "Hamburger University".

The prospects for Tie Rack's flotation will be buoyed by the precedent set by Sock Shop, a fellow niche retailer, which staged a heavily oversubscribed flotation last month.

Sock Shop's shares have risen so fast that its original prospective p/e ratio of 24 has risen to 32. The City's estimates of a prospective p/e of 28 for Tie Rack seem modest in comparison.

ASIA

Nikkei hits resistance at 25,000 level

TOKYO

A TECHNICAL correction to Monday's high prices, which took the Nikkei average above 25,000 curbed buying in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average dropped 90.15 to 24,902.63. Turnover shrank from 1.35bn shares on Monday to 1.04bn. Losses led gains 522 to 403, with 110 issues unchanged.

Nippon Steel fell from the list of 10 most active stocks for the first time in five months. It had been favoured by institutional investors along with other large-capital stocks but was placed 11th yesterday with 17.54m shares changing hands and fell Y12 to Y355.

Other large-capital issues were also dull, with Ishikawajima-Harima Heavy Industries losing Y8 to Y729, Mitsubishi Heavy Industries Y9 to Y604 and Kawasaki Steel Y8 to Y264.

Domestic demand-related issues, which had been leading the market together with large-capitalisation stocks, also lost popularity. Among constructions, Daiwa House dropped Y30 to Y2,540 and National House Industries Y90 to Y2,040. General contractors were also cheaper, with Taisei Corp. closing Y30 lower at Y1,240 and Kajima Y20 down at Y1,980.

Financials were mixed. Sumitomo Bank rose Y30 to Y4,380, but Nomura Securities fell Y20 to Y5,130.

Investors have begun to regard blue chips, particularly high-technology stocks, as future market leaders, in view of the anticipated recovery in their profits as the yen falls against the dollar. Investment trust continued to buy these issues in small lots, but institutional investors are yet to start purchasing them in greater bulk.

Matsushita Electric Industrial gained Y30 to Y1,930 at one stage but finished Y10 cheaper at Y1,890. NEC and Hitachi lost Y10 each to Y1,880 and Y1,070 respectively.

However, investors sought volatile high-tech issues with small capitalisation, pushing up Kyocera by a sharp Y250 to Y5,340. Fujitsu was Y10 up at Y1,010.

Some situation stocks were bought actively. Denki Kagaku, an AIDS-related issue, was the day's busiest stock with 44.97m shares, advancing Y6 to Y760. On rumoured development of a new drug against AIDS, Nippon Kayaku added Y30 to Y1,470, while speculative interest in superconducting materials caused Nisshin Steel to score a daily limit gain of Y100 to Y802.

Bond prices turned up slightly. The yield on the 5.1 per cent government bond due in June 1996, which closed at 3.320 per cent in block trading on the Tokyo Stock Exchange and at 3.450 per cent in inter-dealer trading on Monday, opened at 3.430 per cent in TSE block trading yesterday. But it later fell to 3.285 per cent due to the yen's gain against the dollar, short-covering and small-lot buying by institutional investors.

TAIWAN suffered its biggest one-day fall when the stock exchange index lost 75.58 to 1,803.08. The setback was blamed on speculation that the Taiwan dollar's recent rise against the US dollar may level out, thus halting the flow of foreign money into the local market. The previous record fall was 68.29 points on May 8.

AUSTRALIA

FURTHER DOWNWARD pressure on the bullion price pushed Sydney lower as golds and resources led the way and slightly firmer industrials failed to provide a lift.

The All Ordinaries index finished 17 points down at 1,759.6 while the gold index fell 75.6 to 2,994.6 in fairly thin trading.

Energy group Santos, which is buying the Australian oil and gas exploration and production operations of Total of France, eased 10 cents to A$6.40.

In the takeover arena, building products group Monier lost 25 cents to A$3.90. CSR, which said it would proceed with its bid for Monier despite the counter-bid by Equiticorp Tasman, was steady at A$3.95. Equiticorp put on 5 cents to A$1.10.

HONG KONG

ACTIVE BUYING pushed Hong Kong shares prices higher from the start following Monday's public holiday and the Hang Seng index closed up 14.49 at 2,934.19 while the Hong Kong index gained 9.79 to 1,892.88.

A half-point rise in interest rates failed to have a bearish effect as it had already been discounted by the market.

Properties generally improved, with Sun Hung Kai up 30 cents at HK$16.00 and Hongkong Land 20 cents higher at HK$6.90.

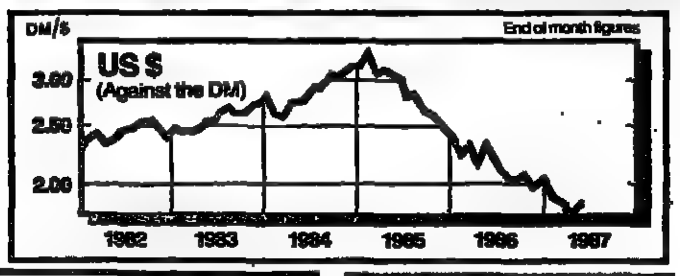
Hang Seng Bank fell back 50 cents to HK$36.50 against the trend

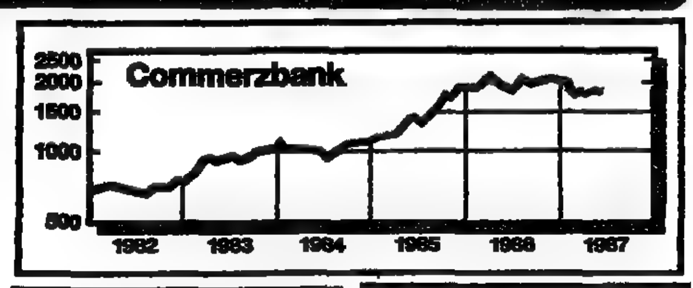
SINGAPORE

PROFIT-TAKING pared early gains in Singapore after Monday's sharp rise and share prices ended mixed with the Straits Times industrial index down 3.90 at 1,236.60.

Strong blue chip performers suffered most, with DBS and Singapore Airlines both down 20 cents at S$13.90 and S$14.00 respectively and Malayan Banking 10 cents lower at S$7.85.

KEY MARKET MONITORS





STOCK MARKET INDICES

	June 2	Previous	Year ago
NEW YORK			
DJ Industrials	2,278.22	2,288.23	1,881.95
DJ Transport	966.58	970.73	798.58
DJ Utilities	194.61	195.82	188.33
S&P Comp.	288.46	289.83	245.04
LONDON FT			
Ord	1,724.3	1,730.7	1,320.4
SE 100	2,219.6	2,228.2	1,595.50
A All-share	1,106.63	1,108.80	789.80
A 500	1,236.24	1,241.29	873.33
Gold mines	380.2	378.6	215.9
A Long gilt	8.84	8.85	9.25
World Act. Ind (June 1)	129.50	129.37	89.67
TOKYO			
Nikkei	24,902.63	24,992.78	16,739.3
Tokyo SE	2,147.69	2,156.66	1,309.63
AUSTRALIA			
All Ord.	1,758.3	1,776.2	1,229.3
Metals & Mins.	1,065.2	1,113.8	520.6
AUSTRIA			
Credit Aktien	184.58	184.93	241.68
BELGIUM SE	4,535.80	4,539.70	3,621.01
CANADA			
Toronto			
Met.& Mins.	2,684.5	2,646.9	2,175.0
Composite	3,676.0	3,659.6	3,098.6
Montreal			
Portfolio	1,826.8	1,823.18	1,584.35
DENMARK SE			
SE	-	205.67	224.12
FRANCE			
CAC Gen	426.80	430.40	365.8
Ind. Tendance	105.80	107.00	83.91
WEST GERMANY			
FAZ-Aktien	581.13	590.76	649.04
Commerzbank	1,760.90	1,787.00	1,962.9
HONG KONG Hang Seng	2,934.19	(c)	1,781.94
ITALY Banca Comm.	688.72	688.77	(c)
NETHERLANDS ANP CBS			
Gen	285.40	288.70	292.3
Ind	349.10	351.60	354.9
NORWAY Oslo SE	428.67	433.08	350.07
SINGAPORE Straits Times	1,236.60	1,240.50	683.30
SOUTH AFRICA JSE			
Golds	—	(c)	1,163.5
Industrials	—	(c)	1,152.7
SPAIN Madrid SE	230.35	231.33	193.26
SWEDEN J & P	2,631.80	2,632.80	2,383.80
SWITZERLAND Swiss Bank Ind	519.50	598.40	572.9

COMMODITIES (London)

	June 2	Prev
Silver (spot)	461.75p	452.15p
Copper (cash)	£929.00	£927.50
Coffee (July)	£1,340.00	£1,360.00
Oil (Brent)	$18.7	$18.65

GOLD ($/oz)

	June 2	Prev
London	$454.25	$444.50
Zürich	$450.75	$444.75
Paris (fixing)	$450.37	$444.40
Luxembourg	$448.90	$444.65
New York (August)	$461.90	$448.70

CURRENCIES (London)

	US DOLLAR June 2	US DOLLAR Previous	STERLING June 2	STERLING Previous
$	–	–	–	1.6255
DM	1.8040	1.8340	2.985	2.98
Yen	142.15	145.45	233.5	236.50
FFr	6.0225	6.115	9.965	9.94
SFr	1.4890	1.5216	2.445	2.4725
Fl	2.0345	2.0670	3.3425	3.36
Lira	1,3035	1,32250	2,141.5	2,14975
BFr	37.35	37.95	61.35	61.70
C$	1.3420	1.3375	2.2065	2.1730

INTEREST RATES

	June 2	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	8 11/16
SFr	4	4⅛
DM	3⅝	3⅝
FFr	8⅝	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	7 7/16	7¼
6-month US$	7 9/16	7 7/16
US Fed Funds	6 13/16*	6⅝
US3-month CDs	6.85*	7.225
US3-month T-bills	5.76*	5.89

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	90-05	92-10	89-30	91-25
US Treasury Bills (IMM) $1m points of 100%				
June	94.24	94.30	94.13	94.20
Certificates of Deposit (IMM) $1m points of 100%				
June	–	–	–	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.67	92.74	92.63	92.77
20-year Notional Gilt £50,000 32nds of 100%				
June	126.17	127.07	126.18	126.21

US BONDS

Treasury

	June 2 Price	June 2 Yield	Prev Price	Prev Yield
7¼ 1989	100[illegible]	7.827	100[illegible]	7.673
7 1994	92[illegible]	8.54	93[illegible]	8.264
8½ 1997	98[illegible]	8.70	100[illegible]	8.419
8¾ 2017	98[illegible]	8.86	107[illegible]	8.586

Source: Harris Trust Savings Bank

Treasury Index June 2

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	June 2 Price	June 2 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.08	6.40	93.33	6.30
SCBT South Central 10⅞ Jan 1993	103.0	10.17	104.0	9.94
Phibro Sal 8 April 1996	90.58	9.60	92.27	9.30
TRW 8⅞ March 1996	95.31	9.55	97.02	9.25
Arco 9⅞ March 2016	100.20	9.85	101.75	9.69
General Motors 8⅝ April 2016	83.97	9.80	85.22	9.65
Citicorp 9⅝ March 2016	90.24	10.45	91.49	10.30

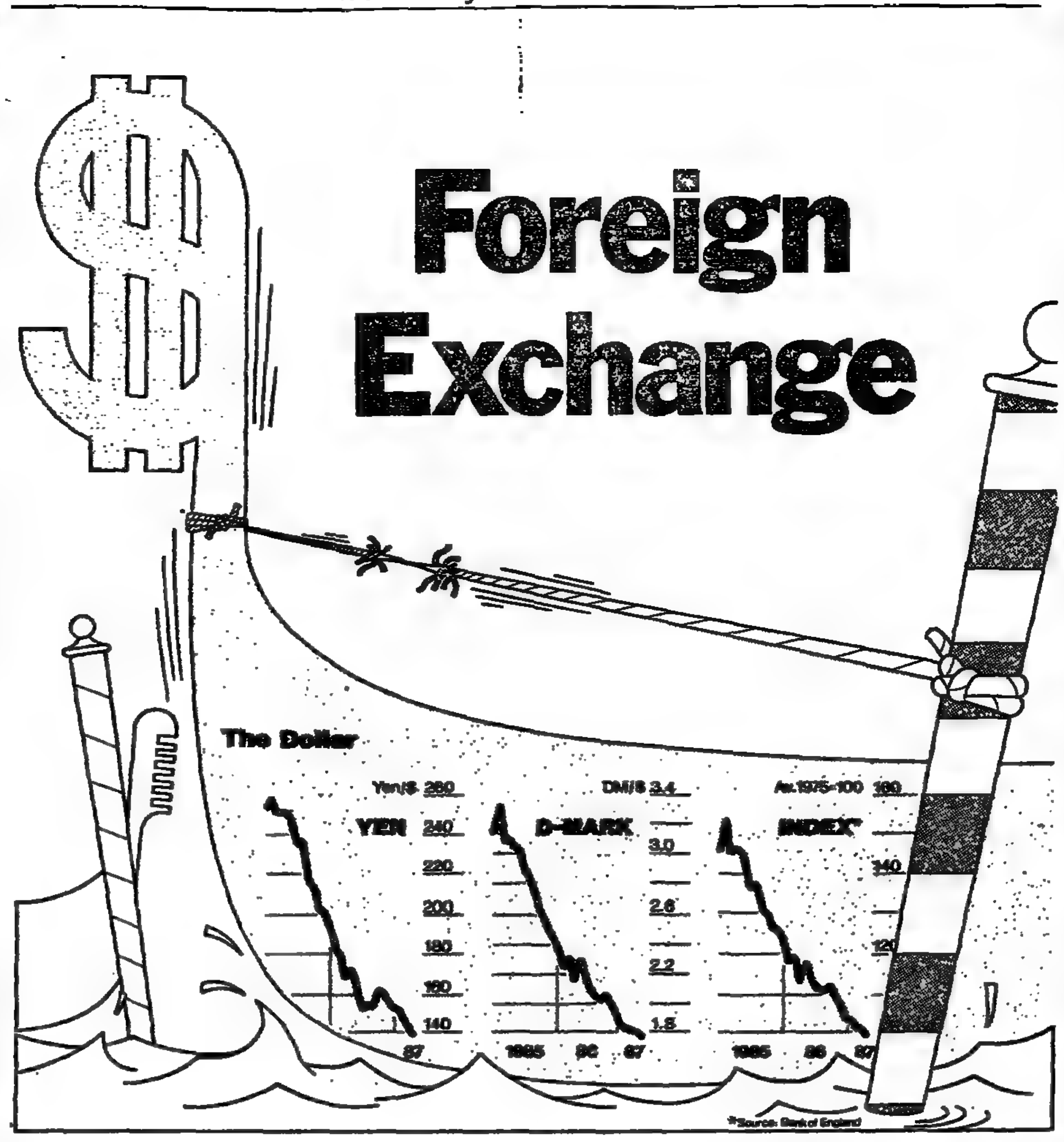
Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

Foreign Exchange



CONTENTS

The Venice summit is likely to produce a compromise statement that glosses over the differences between governments, predicts Economics Correspondent Philip Stephens. But the omens are clear: despite signs of a rally, the dollar looks set to fall further, the question being whether its descent will be controlled or the rout that many fear. The risks seem currently towards the latter.

Living with turbulence

AT THE world economic summit in Venice next week, the talk will again be about enhanced international economic co-operation and co-ordinated action to stabilise the dollar. It is doubtful whether the foreign exchange market will be impressed.

Despite a recent relative calm, there is little sign that the underlying volatility which has characterised foreign exchange trading over the past few years is about to be replaced by a return to stability. The days when currency values rarely shifted by more than 1 per cent or so in a month are barely remembered in an era when such gyrations frequently occur in a matter of minutes.

For the world's central banks, who seemed for a brief period after September 1985's Plaza accord to have re-established their authority in the markets, the past few months have been a bitter experience.

A combination of exhortation, loosely co-ordinated interest rate moves and some $60bn of direct intervention in the markets, appears to have done little more than bring a brief respite for the beleaguered dollar.

The sharp rises early last month in US bond yields have re-focused attention on the dangers that the so-far reasonably orderly decline of the dollar since 1985 could yet turn into a free-fall which might tip the world economy into recession.

The US administration, which has spent much of the past few years talking down the value of the dollar, has found to its cost that trying to reverse the process is not as easy.

Against that background, the mood at international meetings of finance ministers and central bankers has certainly improved. There have been no repeats of the public slanging matches which characterised relations between governments of the three major economies in much of 1986.

Mr James Baker, whose apparent impatience to secure grand new initiatives at each international gathering was once a source of considerable irritation to his allies, has adopted an altogether more conciliatory and diplomatic approach.

So far the increased goodwill has yet to be translated into action. And the market's reaction to last February's Louvre accord—a further 5 per cent appreciation of the yen against the dollar—clearly demonstrated that good intentions are no longer enough.

The US, Japan, and West Germany have all promised to underpin the commitment to currency stability with co-ordinated action on fiscal policy—cuts in the US budget deficit matched with more expansionary policies in Japan and West Germany.

Mr Baker, however, has acknowledged that his Administration—faced with a hostile Congress—will not have a clear picture of likely reductions in the 1988 deficit until September.

Political wrangling in Japan means that the Tokyo government's planned package of expansionary measures — at present said to be worth $35bn — will not be in place until the autumn. Even then there are doubts over whether the package will be implemented in full.

Mr Gerhard Stoltenberg, West Germany's finance minister, has meanwhile been adamant that the Bonn government will not do more to boost its flagging economy ahead of the tax cuts scheduled for January 1988.

West Germany and Britain have also determined to block US attempts to establish a more formal framework for policy co-ordination. The US ideas, which are backed by France, involve the establishment of performance and policy goals for each country, against whch their contribution to a more stable exchange rate environment can be measured.

But Mr Stoltenberg and Mr Nigel Lawson, Britain's Chancellor, see the US plan as a step towards the establishment of more rigid target zones for each of the major countries — a development they regard as both undersirable and impracticable.

Some compromise will probably be found to gloss over the differences in the Venice communique, but the net result is likely to be symbolic rather than substantive — an attempt to buy a further period of stability on the markets until the autumn.

The omens for that do not appear encouraging. The growing international consensus, underlined in recent official reports, points to a further sizeable depreciation of the dollar. Although volume trade flows have begun to respond to the US currency's fall since 1985, there seems little prospect of a sizeable reduction in its current account deficit.

Projections by such bodies as the Organisation for Economic Co-operation and Development suggest that, on current exchange rates and economic trends, the current account shortfall could remain at over $100bn into the 1990s. The prospects will look even bleaker if economic growth in West Germany and Japan continues to flag.

That in turn has led to predictions from economists such as Martin Feldstein, at Harvard University, that the US dollar will have to fall by perhaps another 30 per cent to restore a sustainable US trade pattern.

Mr Feldstein's projections are at the extreme end of the spectrum, but it is hard to find a central banker who, in private at least, does not concede that the dollar's correction is not yet over. The central banks also acknowledge that they cannot go on indefinitely financing the US current account deficit through exchange market intervention.

The question, therefore, is whether a further depreciation is controlled and gradual—spread over the next few years rather than months—or whether it translates into the rout that governments fear. That is impossible to predict, but for the moment at least the risks look to be towards the latter.

Turbulent markets, of course, are more often than not good news for the banks and brokers who dominate the 24-hour-a-day business of foreign exchange trading. High-tech dealing rooms costing several millions of pounds, and traders' salaries of two or three or five times the comparable rate in industry make an almost invisible dent in the profits available.

The major banks have boosted their profits from foreign exchange by anything from 10 to 25 per cent over the past year. Citicorp, generally accepted as the biggest player in the international markets, last year earned more than $400m from currency trading, while in London, Barclays' foreign exchange operations earned it £123m (more than $200m at current rates).

The big money and foreign exchange brokers have also continued to prosper and diversify. Volatility in the markets translates into increased turnover, and that means higher profits. The London-based companies which dominate broking have further extended their activities in New York, while taking advantage of London's Big Bang to move into inter-dealer broking in the gilt-edged market. Tokyo, where most have already established a presence, is the next big challenge.

Turbulent markets have given a further boost to the plethora of new financial instruments available for hedging against currency risk. The banks have now developed a third generation of products, often combining the best of such instruments as swaps and options which characterised the second.

They are convinced that turbulent markets are here to stay. And the chances are that nothing will happen in Venice next week to prove them wrong.

Politicians continue their efforts to co-ordinate monetary policy, even though their achievements so far have been modest

Target zones gain support

IN THE space of two or three years economic policy co-ordination has become as popular and conventional a concept as motherhood. Each of the many recent international gatherings of finance ministers, bankers and economists has closed with strong calls for greater co-operation; the Venice economic summit will be no exception.

The achievements of co-operation and co-ordination, however, have been somewhat modest. The increased willingness of politicians to debate economic issues has not prevented growth in the industrialised world falling from 4.7 per cent in 1984 to little over 2 per cent in 1987.

Nor has it had much impact on currency markets. The famous Plaza agreement, of autumn 1985, was not quite so influential as the participants subsequently claimed. The dollar had been falling for six months before the politicians declared that a decline was necessary. And when, in Paris this February, ministers decided that the decline had gone far enough, the markets took very little notice.

There are two schools of thought about economic co-operation. The sceptics argue that its potential benefits have been much overrated: provided countries rely on free market policies, and provided exchange rates remain flexible, there is no reason why they should not follow the policies they perceive to be immediately in their self-interest. The extreme version of this philosophy is that co-operation between countries is as unwelcome as co-operation between companies in a domestic market.

Supporters of economic co-operation, on the other hand, argue that its comparative lack of success to date is not a fair measure of its potential. The problem has been twofold: politicians have not matched rhetoric with action, and they have not yet agreed a theoretical framework within which co-operation can flourish.

The failure to act has been particularly evident on the fiscal front. According to the IMF's latest estimates, fiscal policy in West Germany is set to impart no net stimulus to the economy in 1987 and 1988 taken together, while in Japan it will remain slightly contractionary over the two years. In 1985 and 1986, fiscal policy was sharply contractionary in both countries.

Many economists believe that Japan and West Germany should loosen fiscal policy much more decisively. The reasoning is that this is the only effective way to close the gap that has opened up in both countries between savings and investment. The excess of savings over investment is the counterpart to their large current account surpluses. Higher government borrowing represents a form of negative saving, and so would automatically tend to reduce their external surpluses.

The same reasoning, of course, implies that the US should take urgent steps to reduce its government deficit: the red ink on its current account is a reflection of a chronic shortfall of domestic savings. Most economists accept that there is no realistic hope of the US achieving the ambitious Gramm-Rudman-Hollings targets for deficit reduction.

Nonetheless, the US is arguably doing more to tighten its fiscal stance than the surplus countries are doing to loosen theirs. The IMF expects US fiscal policy to be contractionary to the tune of 1.4 per cent of GNP over 1987 and 1988 taken together—and this does not assume that the GRH targets are met: since the US economy is still growing at 2-3 per cent a year, a modest fall in the nominal Federal deficit represents a quite significant tightening of policy.

Efforts to co-ordinate monetary policy have been slightly more effective. The surplus countries have been prepared to accept an overshoot of their monetary targets, and have allowed interest rates to fall to historically low levels.

The US, ironically, is here more vulnerable: some of the dollar's weakness has reflected the US's reluctance to raise interest rates; at times a free fall has been prevented only by extremely heavy intervention by central banks in the exchange markets. European and Japanese central banks are thought to have purchased $60bn of US securities in the first four months of 1987, following a large build up of reserves last year.

Unwillingness to take robust policy measures has been accompanied by only slow progress in the search for a theoretical framework for economic co-operation. Attention has centred mainly on proposals to establish currency target zones and the system of objective "indicators" being developed by the IMF.

The Institute for International Economics, in Washington, is the most vigorous proponent of explicit target zones. According to Mr John Williamson, a senior fellow at the institute, target exchange rates for the major economies should be set so as to secure "basic balance" on the external accounts, while maintaining economic activity in each country at the "highest level consistent with the control of inflation." The external account is in basic balance when current account surpluses or deficits are matched by "underlying" capital flows—in other words flows that are sustainable in the medium term.

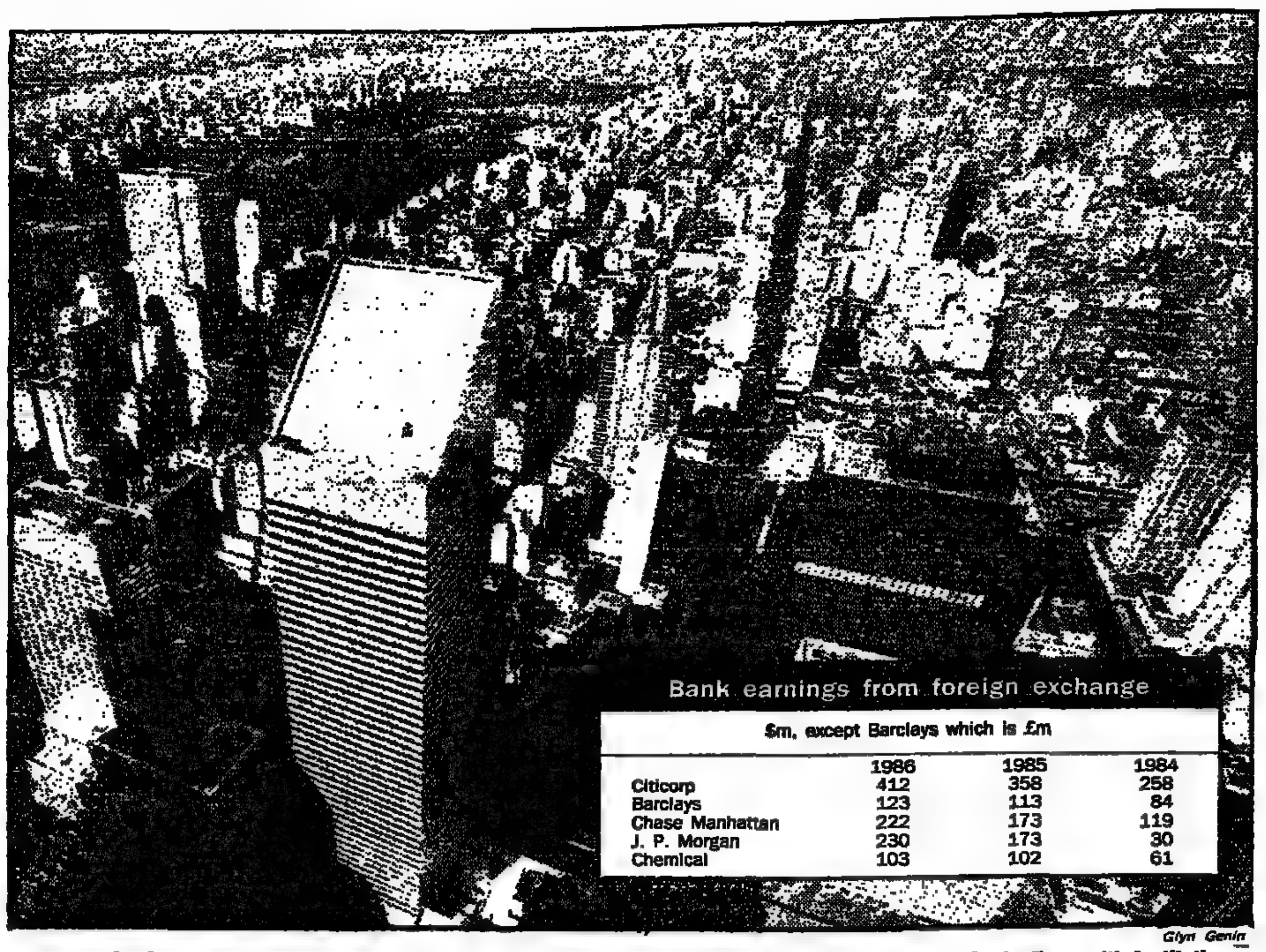
Critics argue that merely agreeing on appropriate zones is no substitute for the painful fiscal and monetary adjustments that are necessary if imbalances and sources of tension are to be eliminated. This misses the point. Target zones are not supposed to be a substitute for other policies. The hope rather is that a public commitment to maintain exchange rates within certain ranges will strengthen governments' resolve to take action at a more basic level.

Objective indicators are a more diffuse approach to economic co-ordination. The idea is the officials monitor a range of economic variables such as growth, inflation, budget deficits, and current account balances and attempt to ensure that their evolution in the various main economies is mutually consistent. The expression "indicators" is deliberately vague, and neatly sidesteps the question whether the countries are talking about forecasts, intentions or targets.

At present, it is extremely difficult to envisage countries committing themselves to firm targets: the problem to date has been that countries have not been willing to subordinate domestic objectives to the wider needs of the international economic community. The danger is that a system of indicators would end up as no more than a set of rather pious intentions.

That said, the limitations of a floating exchange rate system are much better understood now than was the case earlier in the decade. One of the biggest criticisms of floating rates is that they gave countries a short-lived illusion of economic independence. That illusion has now faded; it is a lack of political will, rather than a shortage of economic ingenuity, that is standing in the way of something better.

Michael Prowse



Bank earnings from foreign exchange

$m, except Barclays which is £m

	1986	1985	1984
Citicorp	412	358	258
Barclays	123	113	84
Chase Manhattan	222	173	119
J. P. Morgan	230	173	30
Chemical	103	102	61

Glyn Genin

Citicorp: foreign exchange and hedging were the second largest net income producer in the group's dealings with institutions

The dollar

Three scenarios after the fall

THE PUBLIC message from last February's Paris meeting of the six leading industrial nations was that the dollar's fall had gone far enough.

The burden of tackling the major trade imbalances in the world economy was now to rest on macro-economic policy co-ordination in the US, Japan and West Germany. The Washington administration would redouble its efforts to cut the US budget deficit; Japan would translate its promises to stimulate its economy into action; West Germany would boost its planned tax-cutting package.

But the finance ministers and central bankers, meeting amid the splendour of the Louvre, were careful not to release the details of the private analysis of economic prospects which had been provided for them by the International Monetary Fund.

The secrecy was hardly surprising. The IMF's study—based on the indicators of economic policy and performance it has developed over the past year—was almost the opposite of that published in the official communique.

It concluded that, on present policies, the huge US trade deficit and the parallel surpluses in Japan and West Germany were unlikely to be substantially reduced without a further fall in the dollar's value.

That view has come to be generally shared both among independent economists and, ironically, among the senior officials who prepare the ministerial gatherings which issue the now almost ritual calls for currency stability.

It has more recently been reinforced by studies at the Organisation for Economic Co-operation and Development. An analysis prepared for the OECD's balance of payments group, Working Party 3, points to three possible scenarios for the world economy up to 1992.

The first assumes that present policies in the biggest economies remain unchanged. In those circumstances, the US current account deficit is expected to remain over $100bn a year, while Japan's surplus falls little from the present level of around $80bn. Only West Germany's surplus shows a significant reduction.

The second scenario assumes that the US meets the Gramm-Rudman-Hollings targets for reductions in its budget deficit, and that this is accompanied by substantial fiscal reflation in both Japan and West Germany. That, the OECD economists conclude, would bring about a sustainable pattern of current account balances—but the scale of the action required is far greater than anything that governments have been either willing or able to implement.

It is the third scenario which explains the anxiety of governments to promote a pause in the dollar's decline. This—the seeds of which are already visible in the US bond market—foresees the risk of an uncontrolled slide in the US currency's value. The result is a resurgence of inflationary expectations and rocketing interest rates in the US, and an even sharper slowdown in growth in West Germany and Japan. That combination ultimately tips the world economy into recession.

The rationale of present policies—expected to be endorsed at next week's Venice summit—is to promote a temporary period of stability to allow the beneficial effects of the dollar's decline to fully work through to trade flows.

The behaviour of trade volumes has already begun to reflect the US gain in competitiveness, though the impact is obscured by the still-huge nominal deficit in the US. Governments believe that the so-called J-curve effect—the traditional lag between improvements in competitiveness and better trade performance—also means that there is more good news to come.

Such optimism, however, is qualified by official forecasts of the likely current account imbalances at the end of the present decade on the basis of current exchange rates and economic prospects.

The latest projections by the Bank of England, for example, suggest only a small reduction in the US current account deficit, from $140bn in 1986 to $125bn in 1989. The Japanese surplus, meanwhile, remains close to the present $85bn, and only the West German surplus shows a sizable fall—from $37bn last year to around $15bn in 1987.

The problem for the US is that the massive accumulation of external debt, associated with the current account deficits of the last few years, means that it faces substantial interest payments. That in turn implies that the trade account will have to move into sizable surplus in order to achieve rough balance on the current account.

Prof Martin Feldstein, of Harvard University, suggests that a further fall of around 15 per cent in the value of the dollar will be needed just to bring the trade account back into balance by the early 1990s.

At the same time, higher inflation in the US than in Japan or West Germany points to a further dollar depreciation of around 3 to 4 per cent a year to maintain US competitiveness.

Mr Feldstein says that, taken together, the two factors point to the need for a 30 per cent devaluation of the US currency over the next three to five years—that translates into rates of around Y100 and DM1.35.

Many other economists are not quite as pessimistic, but even those who believe that the dollar is now close to its underlying equilibrium level believe that some temporary, downward overshoot will be necessary.

The question then is whether financial markets can be persuaded that, although a further dollar decline appears inevitable over the medium-term, there is now need for immediate panic. Crucially, foreign investors (above all the Japanese) have to be convinced that they will not face massive exchange rate losses if they continue to finance the US deficit through purchases of US securities.

The Washington administration points to the encouraging level of Japanese participation in its last bond auction as evidence that the flows are being maintained.

But the massive and unsustainable scale of central banks' intervention that has been needed just to stabilise the dollar at around current levels, and the upturn in US interest rates, have underlined just how fragile that confidence has become.

Philip Stephens

The banks

Earnings continue to increase

AFTER ANOTHER year of highly volatile currency markets, foreign exchange has reinforced its position as a big source of business for the world's top banks—both in terms of profits and as a way of cementing relationships with large corporate customers.

Although the figures which banks disclose for their foreign exchange profits are not always comparable, because they allocate costs differently, most banks appear to have boosted earnings from this activity by 10 to 25 per cent last year, and all the indications are that this trend has been extended into 1987.

Citicorp, the world's largest banking group and by common consent its leading foreign exchange bank too, showed a gain of 15 per cent to $412m. More striking, though, is a breakdown of Citicorp's profits, which shows that foreign exchange and hedging were the second largest net income producer in the group's dealings with institutions, with $172m. Only leading activities, with $184m, earned more.

Last year, a survey by the Bank of England showed that $90bn was traded daily in the London foreign exchange market, by far the world's largest. Mr Tom Lockett, foreign exchange director at the Midland Bank, estimates that that figure has risen to at least $110bn this year. Midland's own turnover rose 20 per cent in that period, and its earnings were £110m, up £30m since 1985.

With the banking market now increasingly split between banks who are able to operate on a global basis, and those with more modest local ambitions, the big foreign exchange players have moved into a league of their own. Their number, depending on who you talk to, varies from three to four dozen, equally represented by North America, Europe and the Far East.

Much of the volume that passes daily through the markets represents inter-bank dealing, and a surprisingly small amount, possibly less than 15 per cent, represents international commercial transactions. But a growing part of the business is now stimulated by investment flows, particularly from Japan. Aside from giving force to the yen, this has also brought more investment banks into the market to compete with the commercial banks who traditionally dominate this territory.

Despite the growing sophistication of the foreign exchange markets and the proliferation of new products, the basics of the business are still vital, bankers say. Heavy investment in technology, automation, communications and top flight sources of information are essential to this fast-paced business where wasted seconds can cost millions. A stable and experienced staff is another necessity.

"Foreign exchange is a core product for the treasury department of a bank," says Mr Lockett, "and it is still a market worth investing in."

Eighteen months ago, Midland built what was then London's most up-to-date dealing room. This summer, the entire operation is to be ripped out and re-installed in new enlarged premises a few blocks away.

The basics are important because they provide the steady earnings for banks, and help them keep their ears close to the ground. This involves handling large deals for corporate clients, often at tight margins, all the way to tourists' small currency needs, where the margins are much bigger.

Position-taking can yield gains if banks read the market right. J. P. Morgan, the parent of Morgan Guaranty, for example, ascribed its sharp gain in foreign exchange income last year partly to "the successful anticipation of price and rate movements." But by the same token position-taking can, and has, produced heavy losses as well.

Similarly, all the fancy new products which banks now offer yield only modest profits because of the high cost of putting them together. "New products are not necessarily big profit earners for the bank. But if you provide a good service for a customer in options he will come to you for other services," says Mr Peter Wood, the treasurer of Barclays Bank, the leading foreign exchange bank in Europe. But he stresses: "New products are definitely not loss leaders. You can't afford that."

The new product market is now becoming more mature. Bankers speak of the first generation of products being the basic cash market. The second emerged two or three years ago with the growth of options, swaps and forward rate agreements. The third, which followed hot on its heels, consists of elaborations or combinations of second-generation products, such as "swaptions" (combination of swaps and options) or deals which enable companies to lock in a currency cost in bidding for a foreign contract.

But whereas a year or so ago, bankers touted their showcase of products to disbelieving or confused clients, they now take a more sophisticated approach. Mr Tim Goode, head of financial engineering at Midland, says: "We're not like brush salesmen any more, but like practitioners." He stresses the ability to analyse customers' needs, explain products clearly, and then price and service them well. He points out that Midland has legal, tax and documentary experts sitting right beside the foreign exchange dealing room so that deals can be put together very quickly.

Adding depth to the service is particularly important since there is, as yet, no sign of a fourth generation of products to keep the momentum of innovation going. Mr John McFarlane, vice president, treasury, at Citicorp's London office, estimates that only 20 per cent of large UK corporations have yet used currency options, so the scope for growth is still large. But foreign exchange has developed consultancy features, he says, as banks take more time to understand their customers' currency problems and try to find answers to them.

With the rapid growth of the foreign exchange market has also come the need for more formalised regulation by the authorities, because of the huge positions taken by banks and the dangers of loss.

As part of last year's Big Bang in London, the Bank of England has put out proposals for a new system of supervision. Once it is in place, only banks that are approved by the Bank and put on a list will be allowed to engage in foreign exchange trading. To do this they will have to show that they are "fit and proper," with strong finances and a sound management. While all the big banks are likely to be included, this new regime could force some lesser known names to the sidelines.

David Lascelles

The UK political scene

How bringing money home could protect the exchange rate

ONE OF the centrepieces of the economic strategy the Labour Party is presenting to the electorate is a plan to induce pension funds and other domestic institutions with substantial sterling assets abroad to reinvest these funds in Britain.

The motivation behind the desire to bring funds back into Britain is two-fold.

First, the Labour Party believes that money invested abroad would better serve the country as a whole if it were put to use in Britain.

Second, the flow of funds back into Britain and inducements to keep it there would, according to Labour Party theorists, help to bolster the exchange rate in case serious speculative selling were to develop in response to Labour's clearly expansionary policies.

The experience of the past few months is proof of the store that financial markets set by the re-election of the Thatcher government and, therefore, conversely, how a Labour win could produce a negative reaction, putting downward pressure on the exchange rate and risking higher inflation.

Mr Roy Hattersley, Labour's shadow chancellor, is only too aware of the risks for sterling. In a speech in November 1985, he told a private meeting in a city club: "Under a Labour government, the City must accept that their own needs cannot take priority over those of the country. We recognise that the result of this clash of priorities might in some circumstances be downward pressure on sterling with a consequent effect on inflation, interest rates and investment."

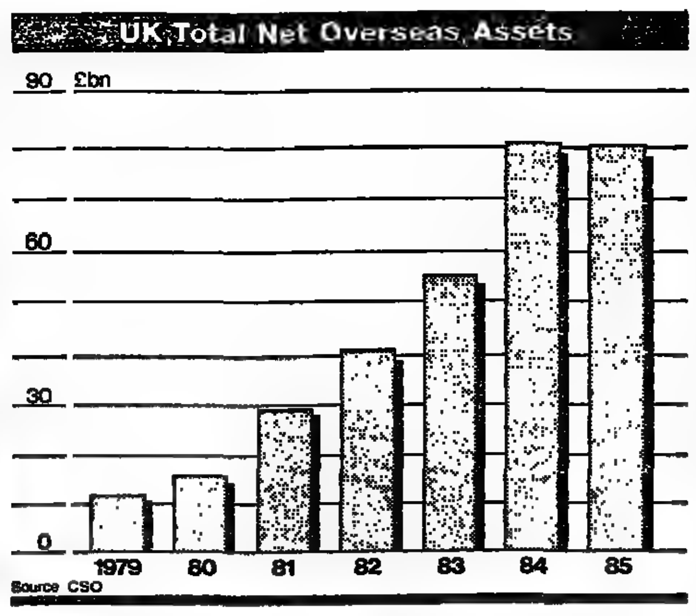
Labour has abandoned old-style exchange controls in favour of a tax-based policy, which would take away fiscal privileges from those institutions that chose to keep more than a certain proportion of their funds abroad.

The aim would be to reduce the proportion of their assets held overseas to around 5 per cent, the level in 1979. Today, the ratio for pension funds and insurance companies stands at about 15 per cent. The rough amount which would have to be repatriated under Labour's scheme would be £32bn.

Mr Hattersley has not outlined specifically how much he would aim to repatriate in any particular time-scale, and it appears that a Labour government would be prepared to use the policy as a tool of exchange rate control.

In various speeches, Mr Hattersley has hinted that if sterling were to be pushed above a sensible level, then Labour would not repatriate so much. Conversely, repatriation could be used instead of other measures to protect the balance of payments or the exchange rate if these started to deteriorate.

Mr Roy Hattersley: knows the risk for sterling. *Ashley Ashwood*



Source CSO

Some commentators have argued that Labour's policy would exert upward pressure on the exchange rate.

However, Mr David Morrison, chief international economist for Goldman Sachs International, argues that Labour's priorities—a reduction in unemployment, an alleviation of poverty and a re-invigoration of Britain's manufacturiung base—would not be aided by a rising exchange rate. Consequently, the Labour Party would be very unlikely to allow the pound to rise very significantly. Instead, it would cut interest rates.

As Mr Morrison points out, if downward pressure on sterling developed, Labour would be likely either to let this happen, if the source of the pressure warranted it (as in the case of lower oil prices), or resist it by speeding up capital repatriation.

"Consequently, sterling's path under a Labour government, in so far as it is determined by domestic policy, is likely to be flat to lower, rather than higher. Capital repatriation, as it relates to the exchange rate, ought to be regarded as a passive regulator rather than an active tool of exchange rate policy," he said.

Researchers from the Institute for Fiscal Studies argue that repratriation should be viewed in the context of a reflationary economic package. They argue that expansion would tend to raise output and reduce unemployment, but that it would also lead to a lower exchange rate and aggravate inflationary pressures.

The IFS draws a parallel between this policy set and the role played by higher interest rates in the US in recent years, which saw fiscal expansion accompanied by tight monetary policy, keeping the dollar high and inflation low.

Labour's strategy has the advantage, they argue, that interest rates can be kept relatively low and, in this sense, repatriation could be said to benefit domestic investment. However, this benefit may be small as upward pressure on sterling resulting from repatriation is also likely to be limited.

There is no widespread intellectual support for the idea of exchange controls in the City after years of policies designed to promote free markets. The form of Labour's capital repatriation policy, with its tax penalty system, further recognises the logistical difficulties in reintroducing fuller exchange controls, and also the increasingly global nature of international financial markets.

Although exchange control is an anathema to markets, Labour's policy has won some acceptance as a workable scheme and far and away more palatable than old-style forms of capital control.

What of the effect on institutions of the scheme? The IFS concludes that the proposals would affect institutions in different ways.

Pension funds currently enjoy substantial tax advantages and would almost certainly comply with the quota. For life insurance companies, the situation is thought to be less clear, as the value of the threatened tax relief is not large since individuals in any case receive generous capital gains tax allowances. Specialist unit trusts are least likely to comply, as their investment choices are constrained by existing licensing arrangements.

Overall, because overseas assets provide a hedge against risks which are specific to the British economy, restrictions on holdings abroad would probably mean either a higher degree of risk or a lower expected return, or probably a combination of the two.

"It should be remembered that this cost falls on individuals who save through these channels, not on faceless institutions," the IFS says in its study, "Capital Controls: The Implications of Restricting Overseas Portfolio Capital".

Nevertheless, the overall cost is not expected to be very large.

Janet Bush

Liberalisation

Pressure grows for freer markets

THE DECLINE in the dollar's value since the Plaza Hotel accord in September 1985 is often quoted as proof of the ability of central bankers and governments to stand together and influence events in financial markets.

The difficulties faced throughout this year by the same influential people in trying to stabilise the dollar, at what at least some of them think is the end of this devaluation process, attests to the immense power of international capital flowing through world foreign exchange markets to act as the final arbiter of currency values.

Speaking after the Paris accord in February, aimed at stabilising currencies around their then trading levels, the franker officials from the Group of Seven leading industrial nations acknowledged that policy could only really work if it went with the grain of the market.

In 1985, the dollar was plainly overvalued and had begun to falter well before the Group of Five got together in New York and formalised the process of devaluation.

This year, the task of stabilising currencies and avoiding a damaging overshoot has foundered to some extent, because of a prevalent market belief (shared by such eminent institutions as the Organisation for Economic Co-operation and Development) that the dollar must fall farther to make significant inroads into the US trade deficit.

It has always been acknowledged that central bank intervention in itself is never enough to influence the vast foreign exchange market which has a daily turnover worldwide of more than $200bn.

The march of technology, the dismantling of capital controls, and other measures aimed at liberalising world markets, has helped to develop integrated 24-hour global trading which can create an irresistable urge in favour of, or against, a currency, making central bank efforts to maintain stability, with often limited reserves, extremely difficult.

The development of ever more sophisticated markets, backed up by hedging mechanisms and a myriad of financial instruments, has meant that a large proportion of the flow of funds through the foreign exchange market can be traced to investment shifts, rather than genuine trade transactions.

International securities firms now market a complete range of products, from Japanese equities to US Treasury bonds, increasing the use of currency markets as investors switch from one currency to another.

A measure of the kind of massive flows which a central bank can face is provided by the activity of the Bank of England in the foreign exchange market in recent weeks. The Bank is estimated to have sold perhaps £5bn in an effort to stop the currency rising against the wishes of government policy.

Mr Robin Leigh-Pemberton, the Governor, acknowledged in a recent speech that a policy of reserve-building intervention cannot be sustained indefinitely, not least because it threatens a loosening of domestic monetary conditions. The Bundesbank has faced the same problem in its participation in G7 efforts to stabilise the dollar.

Yet despite the volatility, which has increased in the era of liberalised markets, momentum for further freeing up of controls continues.

Pressure on Japan to open its domestic markets up further to foreign securities firms and banks has been one of the key counters in the negotiations this year within the G7 on the appropriate level at which the dollar should stabilise.

In a world dominated over the last few years by the ideology of free markets, what is seen as Japanese stubbornness in freeing up its domestic markets to foreign competition is regarded as being as heinous as alleged breaches of anti-protectionist agreements or a perceived unwillingness to boost domestic demand.

Moves have already been made in favour of freer markets. In April, the Japanese finance ministry announced that it would allow domestic financial institutions to deal in foreign financial futures and options markets from last month.

This decision was crucial for the futures exchanges of Chicago and London. Chicago recently launched an evening session, designed to coincide with morning business hours in Japan. Meanwhile, the London International Financial Futures Exchange plans to introduce futures on Japanese government bonds in the second half of this year.

In Europe, the finance ministers of the European Community have set themselves a timetable for the final phase of liberalising capital movements within the 12 members states, scheduled for 1992.

A clear acknowledgement of the risks involved with this process is the recent push to strengthen the European Monetary System. Liberalisation of capital flows brings with it the threat of increased currency volatility (seen in the rest of the world which exists outside any fixed, or at least published, exchange rate band), thus working to undo the aims of the EMS exchange rate mechanism.

Just as the stability of the dollar exchange rate against the Japanese yen is important to the industries of both countries, so too is the stability of the currencies dominated by the Deutsche-Mark within the European Community, which is so interdependent in trade.

However, this process involves problems. Mr Jacques Delors, president of the European Commission, recently said liberalisation would involve the harmonisation of banking regulations and taxation affecting financial institutions, control of speculative capital flows, and provision of genuine cross-border freedom for financial services.

This co-ordination can raise the political hackles if a nation's autonomy appears to be threatened. For example, West Germany has been accused of reluctance to open up its financial services sector to outside competition, just as Japan has been slow in relaxing its entry rules to outsiders.

The raging bull market in equities and fixed interest securities in recent years has provided fertile ground for the liberalisation lobby.

Falling markets make the liberalised world seem a distinctly less safe place.

The recent collapse of Wall Street and the US Treasury bond market against a background of a still-weakening dollar set back markets over the world. The danger of liberalisation lies in the possibility that the stability of each domestic market and, in the worst case, the whole setting of national economic policies, could be disturbed by totally extraneous events and another country's particular problems.

Janet Bush

Although some City voices support Mrs Thatcher's resistance to Britain joining the EMS:

The obstacles are fewer

IF THERE is one major issue of policy which is likely to dominate the economic debate after the British general election, it is likely to be whether sterling should enter the exchange rate mechanism of the European Monetary System.

There is now a great deal of support both in the City and in Westminster for full membership of the EMS. Indeed, the notable fact now is that the Prime Minister herself appears to stand almost isolated in her opposition to sterling's entry. At various times over the past year, she has faced out the persuasive voices of Sir Geoffrey Howe, the Foreign Secretary, and Mr Nigel Lawson, her own Chancellor.

The Alliance is also pro-membership and, after a great deal of thought, Mr Roy Hattersley, Labour's Shadow Chancellor, has now moved in favour of entry subject to certain conditions.

The Prime Minister's opposition appears largely to be based on her political instinct, which tells her that to join would be to give up her independence in the setting of British economic policy.

In the past years, there has also been some concern expressed by existing members of the mechanism about sterling's volatility. The question was being asked early last year, when sterling was suffering its second successive winter crisis of confidence, whether Britain was in fact fit to join.

Since then, sterling's fortunes have been transformed, and the past few weeks have seen the Bank of England battling with a policy dilemma which is remarkable in the context of sterling's rocky history.

Something of a re-rating of the British economy, backed by high real returns on British investments and a large dose of market euphoria on hopes of a Conservative general election victory, has attracted massive international investment flows into sterling.

This has left the Bank of England with the task of trying to cap the pound's rise in order to maintain the competitive gains for British industry afforded by last year's substantial devaluation in sterling. It has so far generally succeeded through a combination of massive foreign exchange intervention and successive cuts in interest rates.

The collapse in the oil price last year removed one of the obstacles to sterling's joining the EMS, according to Mr Lawson. At least some of sterling's volatility had been seen to relate to fluctuations in the oil price.

The latest period of sterling strength has removed another. Britain has been able substantially to rebuild its foreign exchange reserves, providing the necessary cushion with which to intervene within the system.

While Mrs Thatcher's opposition to entry has been widely regarded as stubbornness, there are now some voices in City trading rooms in favour of her lone stand. The argument runs that much of the resurgence of economic growth and the current manufacturing export boom has been, to a very large extent, due to sterling's sharp devaluation last year.

This depreciation happened relatively smoothly and without any of the sense of crisis and loss of confidence which invariably accompanies devaluations within the EMS—in a sense, a vindication of Mrs Thatcher's position.

However, this argument relies on the particular events of the last year and is probably informed by the unusual comfort at the moment of having a popular currency.

The Bank, in its recent quarterly bulletin, argued strongly for caution in the move towards lower interest rates, saying there is a great degree of uncertainty about whether sterling's recent performance is based on fundamental and lasting re-rating of the British economy or one-off speculative flows which could be reversed.

In the longer term, a serious appraisal of the pros and cons of entry is necessary. Against entry is Mrs Thatcher's loss of flexibility argument. The flexibility from being outside the system applies both to exchange rate policy and the whole setting of monetary policy, as the stability of the system to a large extent relies on co-ordination and convergence of the economic policies of its members.

One of the arguments in favour of being within the system has always been that Britain would face an external policy discipline by being linked with the Deutsche Mark and West Germany's low inflation economy.

Two views run contrary to this. One is that Britain, by linking itself with West Germany with its extremely conservative fiscal and monetary policy, could find itself running a far more restrictive policy than it felt comfortable with.

The other is that the vogue for international policy co-ordination and convergence already imposes a certain accountability outside the system.

The emergence of a policy, since the Paris meeting of the Group of Seven in February, of keeping sterling within a band has brought another dimension to the EMS argument which can work both ways.

On one hand, a successful informal targeting of the exchange rate outside the EMS could be regarded as a trial run for the system itself, laying to rest concerns about sterling's particular history of volatility. On the other, if informal targeting works, that begs the question of why Britain needs to tie itself into the system.

The fundamental argument in favour of entry is the confidence factor, particularly in view of the perception that the framework of monetary policy, embodied in the Medium Term Financial Strategy, has become far from clear. This could be one factor behind the fact that British interest rates, even after the latest falls, are still substantially higher than comparable rates in other industrial countries.

The danger of Mrs Thatcher holding out against membership after the election, if she wins, is that market expectations could be disappointed, triggering a crisis of confidence.

Hopes that Britain will join the EMS have been running very high for some time now, and sterling could suffer if they are not fulfilled. In the short term, everything appears to be set fair for the British economy, with high growth, relatively subdued inflation, a current account still in rough balance and a solid measure of confidence in financial markets.

However, the prospects for the current account later this year are far from clear, and Britain's underlying inflation rate is still high compared with other industrialised countries. If either of these trends were to deteriorate, the wish for a steady exchange rate framework could become more prevalent again.

Janet Bush

The EMS and defence of parities

Insulated against dollar-shocks

AMID THE often chaotic turbulence of the foreign exchange markets over the past few years, the European Monetary System has not been without its problems. But even its critics must now concede that the exchange rate mechanism linking eight of Europe's currencies has provided a useful shield against the worst excesses of floating exchange rates.

The system, conceived in 1979 as the first step towards full monetary union in the European Community, has not fulfilled the more far-reaching ambitions of its founders.

A determined West German Bundesbank still blocks the way to broader co-operation, jealously guarding its autonomy in setting monetary policy. A British prime minister who finds it hard to mask her natural suspicion of most things European has ensured that sterling has yet to play a role.

Some 11 realignments since 1979 reflect the fact that the promise of economic convergence is easier to aspire to than to achieve. Currencies in the system have not been immune from the pressures generated by economic fundamentals—most notably a lower inflation rate in West Germany than in France, Italy or Ireland.

But simply by surviving such a turbulent period the EMS has proved its worth. As a recent analysis published by the International Monetary Fund concludes: "While the hopes of the optimists have been realised only in part . . . it has nevertheless become clear that the predictions and fears of the sceptics have not been justified."

If EMS currencies have not been immune to the shocks created by the dollar's extraordinary climb in the early 1980s and its subsequent fall, they have at least been insulated. Fluctuations between currencies in the system have been far smaller than, for example, those of sterling, and, as the IMF study concludes, the trend towards stability has been reinforced over the past three years.

So although businessmen have had to accept fairly frequent step adjustments between parities they have, to a large extent, been spared the short-term volatility which is so disruptive of investment planning.

And while Italy's huge budget deficit and Belgium's still-shaky attempts at fiscal consolidation point to the continued disparities in economic performance, the goal of convergence is that much nearer.

A French inflation rate of 2 per cent—bettering Britain's performance—and an Italian rate down to 5 per cent provide a clear illustration of the progress that has been made. That in turn has been reflected in the smaller scale of realignments—last January's saw a revaluation of the Deutsche Mark of only 3 per cent—and increased confidence among governments that the trend can be maintained, limiting the profits of speculators.

It is against that background that the European Commission—strongly supported by France—has judged that now is the time to develop the system beyond its present role of essentially an exchange rate grid.

Mr Jacques Delors, the Commission president, believes that the liberalisation of capital movements and closer integration of financial markets planned in stages up until 1992 will not be possible without a strengthened EMS.

The aim is to widen co-operation between governments and central banks, from intervention in the markets to a much closer co-ordination of monetary and interest rate policies. That would ensure that member countries were equipped to direct and, if necessary, counter, the greater speculative flows likely to follow the dismantling of remaining controls on capital.

The French ideas, put by Mr Edouard Balladur, the Finance Minister, go further. They identify what many economists believe have been a key weakness in the system since its inception—that, rather than a balanced float, it is essentially a D-Mark zone. That has meant that West Germany's weaker partners have been more or less forced to take the lead from Bonn in setting their monetary and fiscal policies.

Mr Edouard Balladur: identified a key weakness

The result has been what one experienced commentator has called a "deflationary bias" in economic policy-making in the Community.

Mr Balladur is looking for a system where the burden of economic adjustments should not be borne just by weak or deficit countries, but in which it is shared by the strongest economy, that of West Germany.

In simple terms, that might involve the Bundesbank agreeing to lower its rates if there was upward pressure on the D-Mark rather than countries with weaker currencies being forced to raise their rates.

To enhance such policy co-ordination each government would agree a set of performance indicators for its country—similar to those developed by the IMF in a wider international context. If, for example, West German output growth was faltering, the Bonn Government would be obliged to adopt more expansionary policies.

Both the Commission and France want such broadened co-operation to be buttressed by technical changes which would enhance the central banks' ability to counter speculative attacks on the systems.

That would include the greater use of intramarginal intervention—support for weak currencies by other central banks before they reach their bilateral floors—and reviving the use of the divergence indicator. The latter mechanism was established to trigger policy responses before EMS currencies have moved too far out of alignment, but has been largely defunct.

The need for a fresh injection of political will is echoed in a recent report to the Commission by a group of eminent economists, which calls for a range of new commitments to enable the EMS to make the transition to a second stage.

It argues that capital market liberalisation will fundamentally change the environment for monetary policy in a semi-fixed exchange rate system like the EMS, requiring much greater co-ordination of monetary policies.

The answer, it says, is for national monetary policies to be agreed jointly by governments in the Community's Monetary Committee. That should be combined with more concerted intervention to counter speculative flows, and a common European position in promoting currency stability with the US and Japan.

Ironically, however, the system's limited success so far may prove one of the main obstacles to its further development. The prevailing view in West Germany is that while some modest changes may be appropriate, pushing ahead too rapidly could undermine its present strengths.

The Bundesbank also shows no signs of willingness to cede its sovereignty over domestic monetary policy—talk of a European Central Bank is still regarded as very much a pipedream.

Britain's, or rather Mrs Thatcher's, stance on membership underpins the Deutschemark's role as the pre-eminent currency in the system.

That said, a general consensus in international economic policymaking in favour of managed rather than freely floating exchange rates, the possibility that the pound will eventually join the system, and the drive for further integration of financial markets all point in the same direction—towards a strengthening rather than a diminution of the role of the EMS.

Philip Stephens

Money brokers

Calm follows squeezed margins

THE SUBSTANTIAL British moneybroking houses, which still dominate the industry worldwide, have in the past year been making strides in the diversification of their businesses, and at the same time become more attractive to predators.

The major brokers have for years had a global network as far as foreign exchange broking is concerned, and the last year has seen some fill gaps in their coverage both in terms of different time zones and different markets.

The core traditional business of foreign exchange broking has faced a considerable squeeze on conditions for some years in centres where fixed commissions had been abolished. The move to freely-negotiated commissions in the foreign exchange and Eurocurrency markets in London at the end of 1985, coupled with the banks' successful negotiations of large discounts, made margins even tighter.

But conditions have calmed down considerably during the past year and most brokers remain confident about the profitability of this sector of their businesses.

Mr Richard Deslandes, director of the foreign exchange operations of R. P. Martin, said the forex broking business continued to benefit from rapidly increasing turnover in the market and continued volatility.

R. P. Martin is a broker which has, unlike some of the other majors, chosen to concentrate on the core business of money and foreign exchange broking and decided not to enter the fray as an inter-dealer broker (IDB) in the gilt-edged market. Nevertheless, it is active in developing business in, for example, Forward Rate Agreements, options and interest rate instruments.

Mr Deslandes said he was looking forward to another bumper year, partly because of the inability of the Group of Seven to foster stability of currency values.

Other houses have continued to strengthen their positions in world security markets.

In March, Exco agreed to buy RMJ, which claims to have about 30 to 35 per cent of the US Treasury bond broking market. The acquisition meant that Exco had established a major presence in the three key financial centres of London, New York and Tokyo. Shortly before the takeover, RMJ had received the approval of the Japanese authorities to open a Tokyo office.

Exco's move into the US market meant that three of the four major US Treasury bond brokers are now British-owned. Mercantile House owns FBI, and Mills and Allen owns Garban. The fourth, Cantor Fitgerald, remains independent. International City Holdings owns a minority stake in a smaller US government broker, MKI.

The other major talking point in the broking world recently was the raid on Mercantile House's equity by the Canadian group Crownx, evidence perhaps not only of the attractions of a business with a wide spread of financial services but also of the vulnerability which can accompany a time of expansion involving very large costs.

Mercantile, Britain's second largest broking company, saw turnover increase but profits fall in the six months before Big Bang, largely due to adverse trading conditions in the UK government securities market and the higher overheads associated with its Big Bang assault on the London markets.

This included becoming a primary market maker in gilts through Alexander Laing & Cruickshank and an inter-dealer broker through Fundamental & Marshall Brokers.

The costs, particularly of setting up a primary dealership, are high and the first few months of trading in the restructured gilt market were very difficult indeed. It remains to be seen after conditions have settled down more whether the capital has been well invested.

Mercantile's Fundamental & Marshall is one of six firms which started business as inter-dealer brokers, set up to act as intermediaries between the 27 primary dealers in gilts.

The IDBs have proved to provide an essential ingredient in the new-style gilt market, providing extra liquidity and a screen price notice-board which helps to maintain a good information flow in the market.

Trading between primary dealers in gilts via these screens meant a doubling in turnover almost immediately after Big Bang when fixed commissions were abolished and the system of dual capacity ended.

The move into gilt-edged as IDBs was always something of a leap of faith—it was a widespread assumption pre-Big Bang that the market was not large enough to support six IDBs and the experience of trading so far suggests that perhaps only three or four out of the six will survive.

International City Holdings owns another of the IDBs, Charles Fulton.

Mr Robin Packshaw, chairman of ICH, declares himself happy with the way Charles Fulton has performed in the eight months since Big Bang, and reckons his IDB has a very good chance of surviving the competitive environment.

He says that six IDBs is ludicrously too many. "A busy dealer simply can't look at too many screens. One, two, three or even four at a pinch is as much as one man can cope with," he comments.

He sees a lot more mileage in screen-based broking, although it is a demanding business. "Any failure of the system even for a few seconds can put you out of business. It is the most powerless position to be in that you can imagine," he says.

Broking through screens offers endless opportunities to enter into different markets and is already widespread in the US where mortgage-backed securities and repos (repurchase agreements) are broked using this method.

The spread of this kind of business outside the US will depend on whether there is a market for them.

Mercantile House is setting up a new company which will provide on-screen broking serving the Eurobond market and which should start operating in September.

Mr Richard van Splinter, chairman of Fundamental & Marshall in London, said that securities broking and foreign exchange broking would continue to expand in parallel. "In the international market, the trader is looking around the world for the best return on a security—to do that he also has to look at and deal in the foreign exchange market."

Janet Bush


Top Foreign Exchange Dealers 1978 1 Citibank
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Top Foreign Exchange Dealers 1986 1 Citibank
Top Foreign Exchange Dealers 1987 1 Citibank
THE CUSTOMER IS ALWAYS RIGHT.
(Source: Euromoney Foreign Exchange Surveys 1978-1987)
CITICORP INVESTMENT BANK

Mr Kiichi Miyazawa: asked institutions not to speculate on currency markets Terry Kirk

Tokyo

Hedging helps the boom

TOKYO'S FOREX, like Topsy, grows and grows. Since 1983 trading volume has quadrupled. Tokyo still lags behind London, but its average daily volume last year of $48bn put it on par with New York.

The yen-dollar spot volume alone in 1986 was $889.5bn — almost double the 1985 figure of $462.7bn. And during this April yen-dollar spot trading accounted for $136.4bn.

The other significant currencies traded in Tokyo are the Deutsche Mark, Swiss franc and sterling. But compared with the dollar they pale. The three saw around double the volume in 1986 compared with 1985; but the DM, which is the biggest accounted only for $396.6bn worth of volume last year. Sterling was third at $72.1bn. All three are expected to double their volume again in 1987.

What started Tokyo's forex boom was the abolition, in 1984, of the "real demand" rule. "Real demand" prevented companies from hedging or speculating in foreign exchange, by requiring banks to verify that all trades were based on real commercial transactions.

The reason why the boom continues is that cash-rich Japanese institutional investors snapped up foreign securities and property assets, and needed to hedge their investments.

Last year the Ministry of Finance relaxed the rules on how much an institutional investor was allowed to invest overseas. Now a potential 30 per cent of all investment money can flow abroad.

With the exception of the yen-bond market, Japan has no financial futures markets. The only hedging available is through buying foreign exchange forward. But this is set to change. The MoF has just lifted its ban on overseas trading of financial futures and options, giving the big financial institutions somewhere else to play — but only *for their own* account.

The onset of financial futures and options isn't expected to slim down forex volume. The big car companies, electronics groups and trading houses are dabbling heavily in hedging foreign currencies—and for them there still isn't anywhere else to go.

For the banks, the significant move came in 1985, when they were allowed to deal directly with each other in yen-dollar trades—which is still about 80 per cent of the business—instead of having to go through the eight forex brokers in Tokyo. Direct dealing was like *waving a magic wand over the* market: it transformed the players. In effect, individual banks make their own currency markets. And companies opened up dealing rooms—although they *still* have to go through the banks. Direct dealing now accounts for 45 per cent of all spot and swap transactions.

Forex, and treasury operations generally, are the fastest growing sector for banks in Tokyo, and in some cases the only profitable part of their venture.

This is especially true of foreign banks, which as a group made around 60 per cent of their profits in international business on forex last year.

Not surprisingly then, 79 out of 82 foreign banks in Tokyo are players, competing with the 263 Japanese banks. The Bank of Tokyo (BoT), once the only foreign exchange specialist, now finds itself merely one of a dozen big players. And lately the BoT is sometimes more a follower than followed. When Citibank introduced foreign exchange options to Tokyo in 1984, the ministry asked the BoT to follow suit. Now almost all the *forex products available in* London and New York are available in Tokyo.

Forex lore has it that by far the most important change to have taken place within the past 12 months is the introduction of 24-hour trading. But, with the exception of Citibank, no one in Tokyo is actually trading 24 hours.

The BoT trades from 7.30 am to midnight and then puts its clients on to its New York Office. Dai-Ichi Kangyo, Mitsui and others do pretty much the same. But certainly no one who is serious confines themselves to the coy 9 am to 3.30 pm slot (with time off for lunch) which was the rule before last August.

All this globalisation makes the ministry nervous. In what one BoT official called "our peculiar culture" the ministry likes to keep a tight grip on the reins; and increasingly finds itself falling off the horse.

"Although foreign exchange transactions constitute part of the market economy, I can't help denouncing the widespread speculative practice of earning big profit margins in quick transactions," said Kiichi Miyazawa, the minister of *finance, speaking after the* ministry had called in Japan Inc in mid-May and issued a "request" that financial institutions stop speculating on the currency markets—ie, *against the dollar.*

The Ministry of International Trade and Industry (Miti), for its part, called in the bosses of the big companies and warned them off speculating.

The panic ensued after the Bank of Japan's intervention—to the tune of $10bn in April alone—had failed to curb the dollars demise.

For now (a week after) MoF rules OK: forex volume is down by half, and the dollar trades in a narrow 138-142 corridor. But no one seriously expects this to last. The consensus is that the market, which had been bouncing off the walls, was due to *take a break. Market sentiment* is still bearish on the dollar, although a floor of 130—instead of the basement's the limit—is now being talked of.

The June summit and the US *June trade figures are expected* to start Tokyo hopping again.

Appropriately, it is Tokyo which hosts the international forex meeting this month—the biggest ever, with 1,900 participants from 45 countries.

Lisa Martineau

New York

Volatility spurs cross-trading

THE BEST measure of the volatile and difficult times confronting New York foreign exchange *market this year* has been the return to action after a long absence of the market's most discreet player—the Federal Reserve Bank of New York.

Since it operates solely as the *market instrument* of the US Treasury, which has deeply held convictions against intervention, the Fed is rarely active. It was last involved in a big way in the autumn of 1980, by the reckoning of a foreign exchange analyst who had capped his career as a trader by handling some of those Fed trades.

But the latest and most fraught stages of the dollar's descent triggered by *the* September 1985 Plaza agreement on international economic co-operation has forced the Treasury to use the Fed to help smooth out the markets. So far this year alone the dollar has fallen about 12 per cent against the yen and pound, and about 7 per cent against the Deutsche-Mark.

The dollar has proved hard for foreign exchange dealers to handle, because *it has traded in* ranges punctuated by three sudden and steep steps down to the next range, rather than glide gracefully lower. At times the volatility has been intense, heightened by deep *uncertainties* in the market-place about Governments' economic goals and by a huge expansion of cross-border investment flows.

The profitability of forex *operations for New York traders* has swung equally dramatically in consequence. Poor profits in the fourth quarter of last year contrasted sharply with handsome earnings for many in the first quarter of this year.

The volatility has also spurred the trend towards cross-trading between, say, sterling and D-Mark. The natural market for such transactions will inevitably remain limited, compared with the huge flows in and out of dollars, but investors and traders expect cross-trading to continue to develop because it has proved to be relatively less vola*tile than trading against* the dollar.

Against this background of uncertainty, ever-expanding *flows of money* and heightened volatility, New York traders say *they detect changes in the* motivation, techniques and results of increased central bank activity. For many of the central banks, their currency's exchange rate has become more directly a tool of economic policy wielded with growing expertise.

"Their understanding of markets is more sophisticated, their actions more co-ordinated and more sensitive to chart points and other technical considerations," one senior foreign exchange dealer said. "Consequently, they are better able to trigger an effect by, for example, choosing their moment for action by using technical modelling."

This evolution "has made players far more attentive to the central banks," although they are no more fearful of the *institutions* and are as willing as ever to test their resolve in the market-place, the trader said.

Beyond day-to-day trading considerations, central banks have also been stepping up the pressure on foreign exchange traders to increase their analysis of, and protection against, credit and risk exposures. The Federal Reserve and the Bank *of England have been at the* forefront of this with their moves on commercial banks' off-balance sheet transactions.

The banks fear that new rules under discussion could result in hefty regulatory requirements for their foreign exchange activities, which will put them at a competitive disadvantage against non-bank players.

"It is of very great concern to us," said Ms Christine Patton, Manufacturers Hanover's senior managing director in charge of worldwide foreign exchange trading. "I have been impressed by the high level of co-operation between banks, both in the US and UK, to pull together the figures" to show the potential damage.

Commercial banks fear most of all the encroachment of *investment banks, which have* plunged into foreign exchange activity in recent years as a natural out-growth of the internationalisation of their businesses.

Much of the continuing welter of product innovation has been triggered by the steep increase in investment by US fund managers *in foreign markets,* and by foreign managers in the US. Investment banks have a natu*ral base among such clients,* but commercial banks, barred from almost all investment banking *activities in the US* by the Glass-Steagall Act, are fighting back in several ways. Within the con*fines of the law, many of them* have pulled foreign exchange into integrated money market operations, and are offering clients a wide range of services through their foreign opera*tions in investment banking.*

Currency options in particular "have spawned a whole new family of tools for investors," said a senior foreign exchange trader. The proliferation of players with widely different motivations and the extensive range of products "have broadened the base and depth of foreign exchange markets."

The influence of Japanese investors on the markets has grown far faster than any others, as Japan has recycled into foreign investments its huge current account surpluses. Like oil nations in the 1970s, Japan has "become the country with *all the marbles,*" a New York forex analyst said.

The flow of Japanese investment into Canada this year, for example, has been a major factor in the relative strength of the *Canadian dollar.* Similarly, the Australian and New Zealand dollars have been heavily influenced by the issue in New York of corporate bonds in those currencies. The issuers have no need for funds in the currencies, so they convert the proceeds with currency swaps, while investors are attracted by the higher yield compared with US dollar bonds.

The growing complexity of the foreign exchange markets has accelerated the trend toward technical and statistical analysis.

"Foreign exchange is the perfect commodity: it is traded 24 hours a day, is perfectly liquid, deliverable and of consistent product quality," the head of a New York bank's foreign exchange department said. "So we study price model theory—which can be very profitable if you get it right."

The ever-growing sophistication continues to change rapidly the nature of the market. "Ten years ago it was easy—we all *new what the foreign exchange* market was," said Mr David Palmer, head of foreign exchange at First American Bank in New York. "Now, if you ask six different people, you will get six different answers."

Roderick Oram

Frankfurt

Banking growth bolsters demand

"*WE THINK* we are number four in the world after London, New York and Tokyo, but some of our friends in Zurich might disagree," says a respected foreign exchange executive in Dresdner Bank in Frankfurt, West Germany's banking and finance capital.

The concentration of banking activities in Frankfurt in the past two years, which has been spurred by new arrivals on the investment banking scene, has bolstered the city's already established position as an international foreign exchange centre.

For a start, the wider range of *investment banking products* now being offered in Frankfurt by ever more players has increased the demand for some types of foreign exchange hedging instruments.

Moreover, commercial reasons has encouraged some of the new investment banks to cencentrate on forex for their early profits, rather than on certain investment banking products, which may require careful nurturing or developed client contacts, reckons a senior forex man. "The pressure to earn something among the newcomers is very much there." he adds.

Furthermore, the arrival of new commercial banks, like Australia's ANZ Bank, has also played a part by filling in areas such as Australian and New Zealand dollar trading, where Frankfurt was relatively weak.

Indeed, West German investors' extraordinary interest in Australian dollar Eurobonds has even led to calls recently for the currency to be added to those fixed daily on the Frankfurt stock exchange.

While the coverage in Frankfurt of some "exotic" currencies has improved, largely at the expense of the market in international commercial trading centres like Hamburg, dollar-Deutsche Mark business is still very much Frankfurt banks' bread and butter. "It accounts for about 80 per cent of our forex business," confirms an executive at one of the leading West German houses in the city.

Cross-currencies, like DM-sterling, DM-franc, and DM-Swiss franc, come next, with relevant market shares depending on each banks' particular strengths and areas of interest. Dresdner Bank, which has long been the pre-eminent West German institution in the forex business, also reports a lively market in dollar-sterling, as well as reasonable Deutsche Mark-yen business.

But mention forex to many West German corporate treasurers, and US banks will often spring to mind. According to a recent private study, Citibank was the name often mentioned when it came to calling frequency and quality of advice, let alone keen rate quotations.

Whatever their problems in breaking into mainstream commercial banking in Germany, many US banks here have built up strong reputations in forex, thanks to a mixture of professionalism, energetic marketing, and, until relatively recently, deficiencies among many of their West German counterparts. Chemical Bank and Morgan Guaranty are two other US names often tipped.

"Citi is in a leading position, especially where options are concerned," says Silvio Ammann, its country treasurer in West Germany. The bank has marketed heavily, and, perhaps most important, has gained ground by being prepared to keep substantial positions on its books.

Few German bankers dispute the position the US houses have established, but many insist they are now catching up. "I am absolutely certain that in certain fields we are already there," says a foreign exchange executive at Commerzbank.

However, innovation remains a problem in some German houses. Although forward contracts are already well established, currency futures are virtually non-existent in the market because of fuzzy regulatory constraints.

More important, however, there seems to be a marked increase in corporates' interest in currency options, despite frequent reservations about the up-front *premiums* required.

"Many West German corporations have wrongly been dismissed as hopelessly conservative when it comes to new forex techniques," notes one dealer. "We think that is starting to change, although we are still spending a great deal *of time on* education."

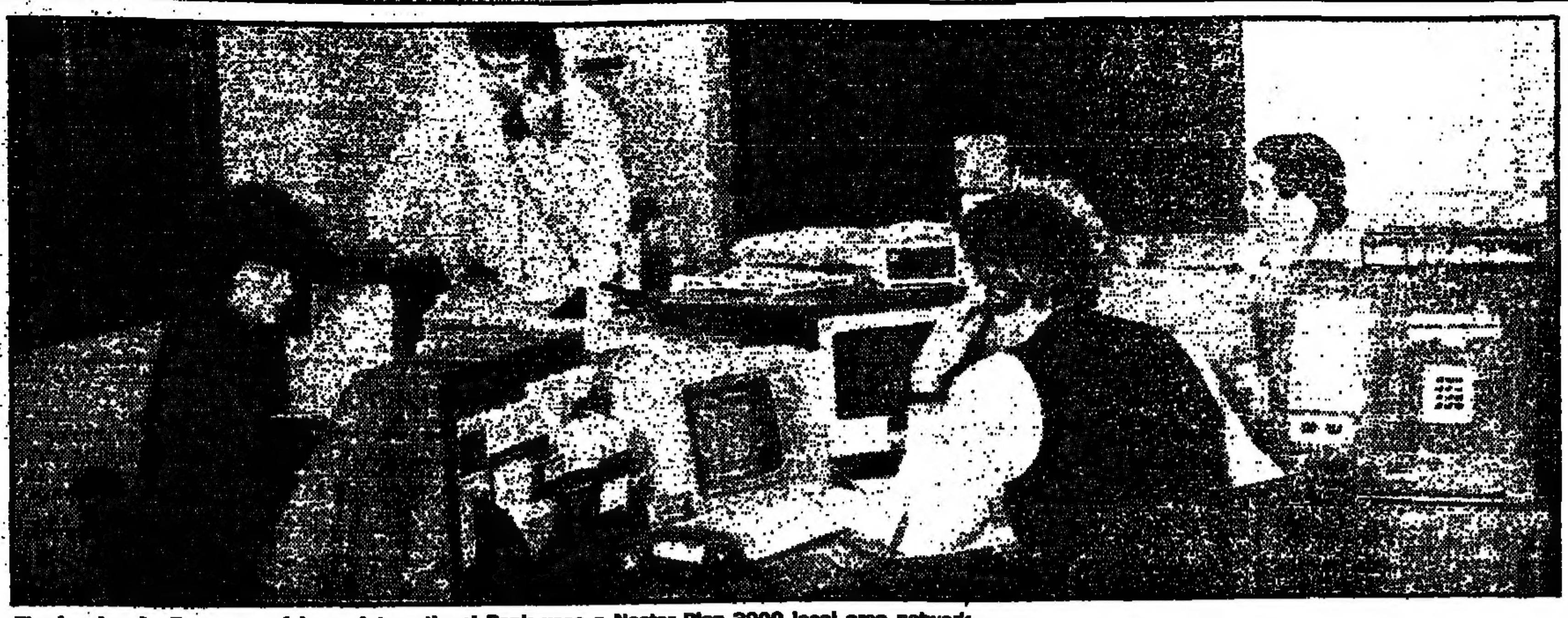
While banks like Dresdner, Commerzbank and Westdeutsche Landesbank have been trying to capitalise on this *nascent market, the enthusiasm* does not stretch across the West German banking board.

Of course, the DM 480m fraudulent foreign exchange scandal at Volkswagen earlier *this year* did neither the cause of innovation nor the Frankfurt forex market in general much good. Business had been subdued anyway, owing to the relative stability of the Deutsche Mark against the dollar, and tailed off sharply after the VW news broke.

Although caution remains the watchword, banks' forex staff report increasing interest—and often considerably more sophistication—on the part of companies when it comes to discussing how to hedge their foreign exchange risks.

How quickly and professionally West German banks respond to this challenge will undoubtedly be one of the key acid tests of their claims to be catching up with some of their more innovative *foreign rivals.*

Haig Simonian



The London dealing room of Japan International Bank uses a Nestar Plan 3000 local area network

Technology

Advantage from the third phase

CITICORP, the biggest US banking group, announced on May 19 that it was strengthening its loan reserves to reflect its exposure to troubled Third World borrowers, taking a £1.5bn second quarter less in the process.

Within hours of the announcement, Nomura International, the UK subsidiary of the giant Japanese bank, had estimated its exposure to the entire US banking systems, to specific US banks, and to non-US banks with south American connections.

By nine o'clock the next morning, detailed reports were on the desks of all senior executives in London, and copies were on their way to Tokyo. Mr Graham Simister, treasury general manager for Nomura in London, said: "That is something we could not have done five years ago.

"Even I was surprised at how quickly the technology enabled us to estimate our position. If it had been a matter of a bank defaulting, the answers could have been critical."

Foreign exchange technology has clearly moved a long way in a decade since the first simple branch-based systems were installed to handle the accounting, and dealers first became used to taking their working data from a video screen.

These dealing and information systems were the first and best examples of the "second wave" of computerisation in finance.

In the first, the emphasis was on large and expensive centralised systems dedicated, for the most part, to automation of back-office accounting.

With the development of the less expensive but very powerful minicomputer, it became possible to distribute computer power to the branches, especially branch offices overseas, and foreign exchange dealing was a natural candidate for early automation.

It involved a combination of laborious calculations and record-keeping. With the huge swings in foreign exchange rates obtaining over the past two decades, it is unlikely that the banks could have sustained the volume of business without computerisation.

At the same time, and for the same reasons, organisations like Reuters in Europe and Telerate in the US found there were substantial profits to be made out of bringing the latest prices and price changes directly to the foreign exchange dealers' desk.

Now Reuters, through the ubiquitous Monitor service, is the dominant provider of forex rates, providing real-time information about well over 100 currencies.

With the development of new and more comprehensive banking packages, however, forex software has tended to dominate the market less; it is just as important but it has become one module in a suite of specialised banking modules, both in terms of dealing and of information.

Internet Systems, of Chicago, Illinois, for example, which was founded only in 1981, offers an international wholesale banking package in which a foreign exchange and money market transactions module features as just one of a series of integrated systems. These include tracking loans and deposits, current account processing, limits management and financial and managerial reporting.

Reuters has moved from the simple electronic distribution of prices to a whole range of new products which augment and add value to the basic service. Reuter Monitor Abacus, for example, provides instant cross-rates and broken date and arbitrage calculations based on real-time process. New features include internal rate calculations, which make it possible for customers to keep ahead of the market by inserting their own specialist rates.

So foreign exchange technology is moving swiftly to what could be described as the "third phase" of financial computerisation, where the aim is to secure competitive advantage rather than simply to cut costs.

The principal technological developments expected in the immediate future include:

- Further moves towards all-digital information switching.

A major headache for dealers today is the number of video screens they are expected to watch. Conventional thinking is that three is the optimum number, but some dealers are watching eight or more. Most say they would be happy with a single screen and a simple and effective method of calling the information they need to that screen. The problem is the technology used to bring the information to the screen.

Traditionally, services like the Reuters Monitor use video (television-like) technology. This is simple, fast and robust but limited in the ways the information can be modified on screen—and it is in that modification that competitive edge can be secured.

Ideally, all information services should be provided as a digital feed—that is, with all the information in computer language, pulses of electricity corresponding to written "O"s and "I"s.

It is essentially much simpler to switch the various services to the dealer's desk if the feed is digital—and is much easier for the dealers to compile their own customised pages of information.

Much greater use of decision support systems, computer systems which massage basic data in such a way as to make it easier for the dealer to make an informed, sensible decision.

This includes a wide range of techniques from, for example, three-dimensional graphics, an area in which Midland Bank is proficient, to expert systems, a simple form of artificial intelligence where a computer system can make an apparently reasoned decision given pertinent facts.

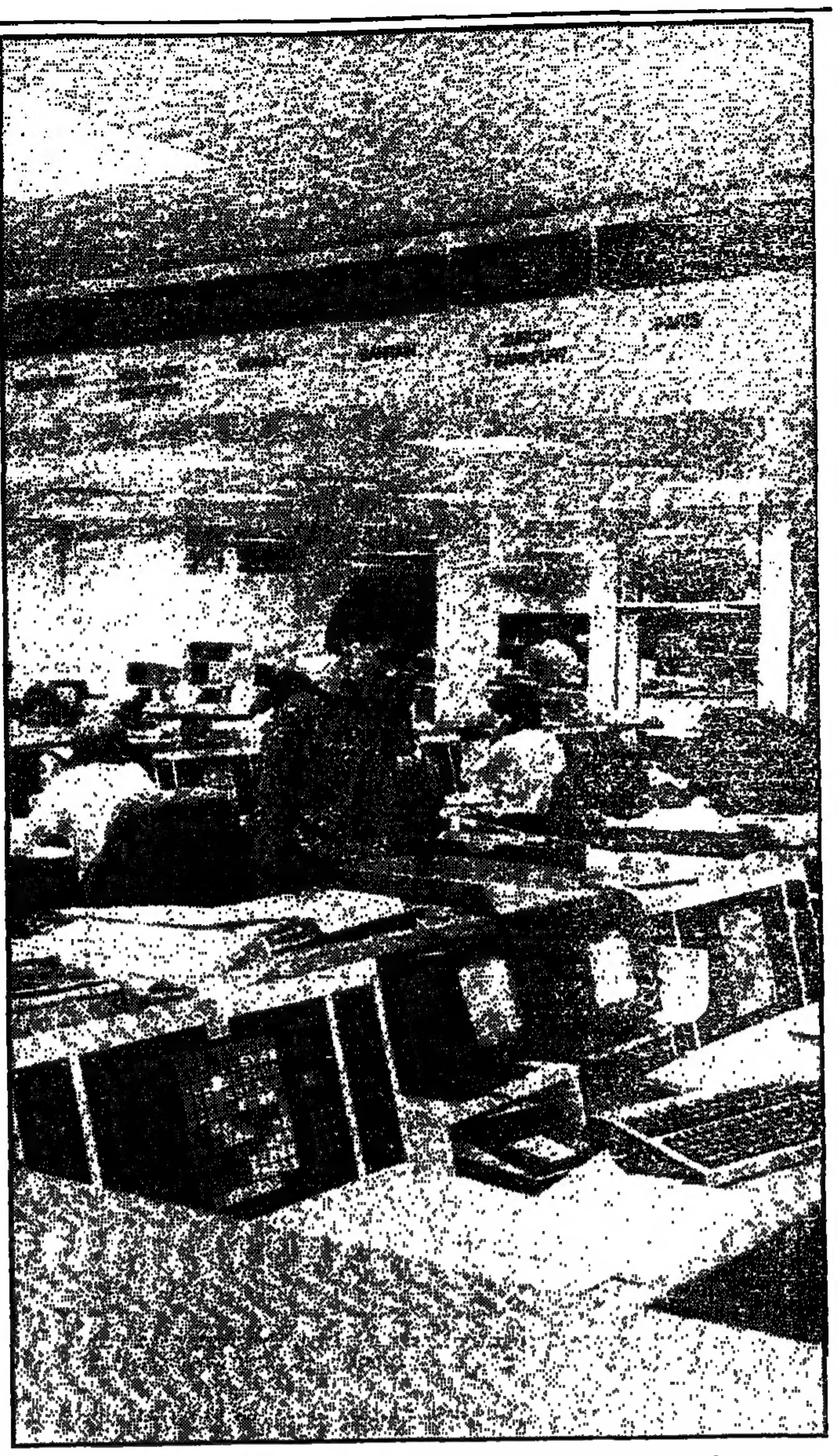
An example is the "letter of Credit Adviser", developed by a London-based systems house, Helix, for the Bank of America.

Mr Simister, at Nomura, confirms that the advent of digital switching and improved decision support is the chief direction in which forex technology is moving.

He is interested in making use of a variety of services, including Reuters, Telerate, ADP Comtrend and Knight Ridder, but he wants to be able to mix and match his data—and that means working with digital feeds.

His dealers use a trading support system called Forex IDSS from FAS, which, he says, is a massive improvement on what the bank had five years ago—"which was nothing". It is good as far as it goes, but he is nevertheless looking for the kind of advanced, probably custom-written system, which will enable him to take on the Midlands and Citibanks on their own terms.

Alan Cane



The London dealing room of ANZ with telecommunications by L. H. W. Wyatt Brothers

Swaps

Regulators take an interest

WHEN Grand Metropolitan recently arranged $750m of *interest rate swaps to fix part of* the cost of its acquisition of Heublein, the US drinks group, the swaps market barely blinked. And yet the entire size of the swaps market at the end of 1983 was only $3bn.

Growth over the past few years has been phenomenal as banks have chased after the fee income from off balance sheet instruments, and corporations have become more sophisticated about the methods they use for fixing their borrowing costs.

Figures from the International Swap Dealers Association (Isda) show that the interest rate swap market alone was worth $313bn at the end of 1986.

Non-US counterparties *accounted for 47 per cent of the* market, split between Europeans 24 per cent, Asian 16 per cent and Canadian/other 7 per cent. Breaking the market down by user, financial institutions accounted for 60 per cent, corporations for 29 per cent, and government/supernational bodies for 11 per cent.

It is much more difficult to estimate the size of the currency swap market, for two reasons. First, it is hard to differentiate between a currency swap and a long-term foreign exchange forward contract. Second, estimates *often lump in the non-*dollar domestic swap markets—for example, fixed/floating Deutschemark swaps—rather than concentrating on the pure cross-currency swap.

Swaps are agreements whereby two parties agree to exchange the payment or receipt of income streams. *This might* be because the parties differ in their expectations of future interest rate movements, or in order to exploit arbitrage possi*bilities in the bond market.*

At one point, around 80 per cent of Eurobond issues were estimated to be linked to swaps of one kind or another. This was particularly true of issues in minor currencies like the Australian dollar, New Zealand dollar and the European currency unit, but also of issues in major currencies like the yen.

A typical deal might involve a US corporation making an Euroyen issue at a competitive rate. It would then arrange a swap with a Japanese company which *had dollar borrowings.* Provided the gap between the rates paid by the two borrowers was not uniform—say 100 basis points in dollars and 50 basis points in yen, then there would be advantages in swapping.

As the market has grown more liquid, then the "bells and whistles" which bankers have attached to swap deals have be*come more sophisticated.* To take one example, a "swaption" is, as the name suggests, a hybrid between an option and a swap. A lot of attention has been paid to its development, but there has not yet been that much activity.

Currency swaps have proved *more attractive to banks as the* fees on the so-called "plain vanilla", ie US dollar fixed/floating swaps, have narrowed. Bank returns on currency swaps may be around 20 basis points compared with, say, seven to eight basis points on a plain vanilla swap.

However, the risks are considerably larger—a two year swap from dollar/sterling, based on the March 1985 rate of about $1.05/£, would involve considerable losses for one party considering the out-turn rate was about $1.60/£.

The Bank of England and the Federal Reserve had become concerned that off-balance sheet instruments, like swaps, involved banks in risks which *were not accounted for* in the normal capital ratios. The authorities, therefore, have proposed that such instruments should be weighted to determine their risk profile.

Banks are exposed to the risk that, if a swap counterplay defaulted, then they might be faced with meeting the defaulters' interest payments, which could prove expensive if interest or exchange rate had moved significantly since the swap was originally arranged.

To meet this risk, the regulators proposed that swaps should be given a credit equivalent amount, determined by a two-step process. First, the swaps would be marked-to-market, that is given a present value based on what they would be worth if sold. Added to that would be an estimate of poten*tial exposure*, which is designed to take account of future interest or currency movements.

Calculating the potential exposure involves a conversion factor ½ to 1 per cent per annum in the case of interest swaps, and for currency swaps a sliding scale building up to 5-10 per cent on agreements lasting more than a year.

Isda recognises that it would be foolish to fight the regulators head-on. Indeed, many banks already use a system for calculating capital backing. Where swaps dealers do think the regulators have got it wrong is in their scheme for adding potential to current exposure, which they feel overestimates the risk.

The association has therefore proposed an alternative scheme, which would be based *on option pricing.* As the money swaps should carry some potential exposure, it feels, since they *involve a real risk that they* could quickly become unprofitable.

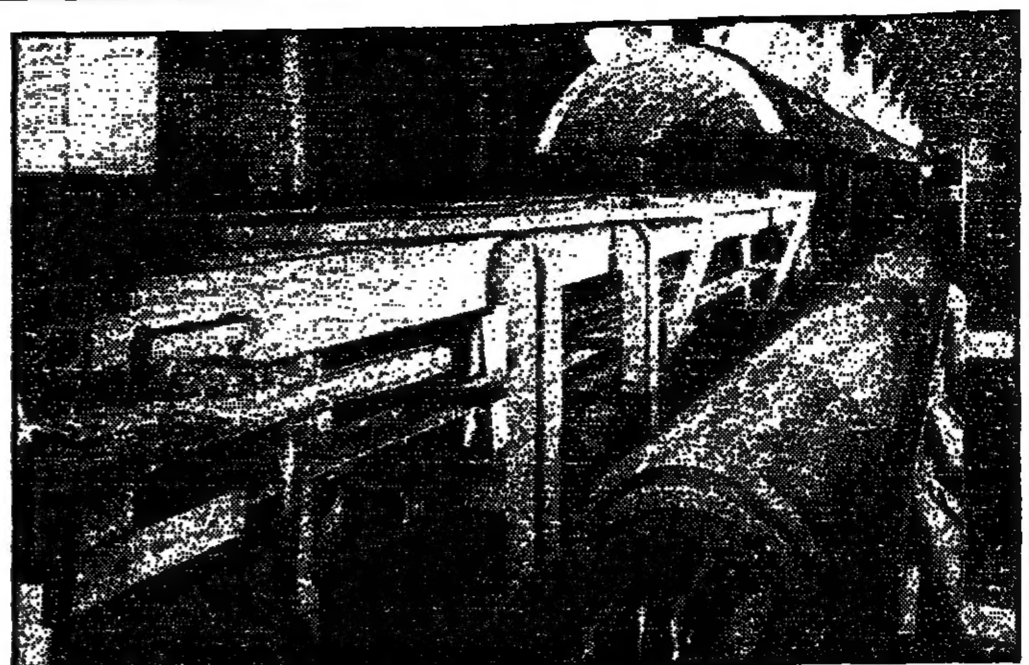
But in the money or out the money swaps, it argues, have their true value reflected in their marked to market position and thus need no extra backing for potential risks.

A major area for concern from Isda is the so-called "level playing field" theory. If rigorous capital requirements are imposed only on swaps dealers from the US and the UK, the Association believes, that *would merely push business* into the hands of dealers from other countries. The unspoken, but real, fear is that the Japanese might swamp the market.

Instead, Isda wants any proposals to be phased in, with the phasing being conditional on the introduction of capital backing requirements in other countries.

How willing the two authorities will be to accept that last condition is open to question, but by adopting a constructive attitude, Isda looks likely to avoid its worst fear—that over-regulation could destroy the market.

Philip Coggan



Ridge tiles in production at Redland's South Cerney factory. The company uses the swaps market to adjust its liability portfolio

Corporate Treasurers

Lobbying clout grows

FOREIGN EXCHANGE fluctuations have catapulted the corporate treasurer to prominence in the modern company. Ten years ago many corporations had no such post; now there is a fully-fledged 1,000-strong association *with lobbying clout in the finan*cial world.

Although the collapse of the fixed-rate system, and the failure of Richard Nixon's *attempts to replace it,* first created the corporate foreign exchange problem, there was little that companies could do while exchange controls were in force. But their abolition in 1979 opened up a number of solutions to the problems of exchange rate volatility. And as overseas earnings became an important lifeline for many *companies battling through the* early 1980s recession, it became vital to safeguard the sterling value of profits earned abroad.

Essentially, there are three different types of foreign exchange problem for the corporation, although there are no hard and fast definitions. Transaction exposure is normally defined as the problem of exchange movements that occur in between placing or winning an order and the actual payment or receipt of the moneys involved.

*Say a UK engineering com*pany wins an order in Germany, having priced in Deutschemarks. It must deliver the components in three months' time when it will receive DM 3m. At present exchange rates, it would receive around £1m. But if the Deutschemark were to weaken to, say DM 4 to the pound, then the company's receipts would be cut to £750,000, probably wiping out its *profit margin.*

Economic exposure can be defined as the competitive risk which exchange rate movements can cause. A strong pound might mean that some markets become closed to British exporters. Conversely, sterling weakness could lead to increased raw material costs and a consequent reduction in *margins. Unlike transaction* exposure, economic exposure is very hard to assess—much can depend on the price sensitivity of the markets for a company's goods.

Translation exposure involves the risk of converting overseas earnings or assets at the balance sheet date. Although the actual cash flow is limited *to dividend income,* nevertheless a weak local currency can make a nasty dent in pre-tax profits. When companies speak of a "currency effect" on profits, it is normally this translation exposure which they are describing.

Because of this lack of a cash flow, many companies do not attempt to cover for translation *exposure. The most common* technique for foreign exchange exposure is the forward market—covering foreign currency translation would involve selling forward large amounts of currency which the company would never, in fact, receive.

However, a more sophisticated means of diminishing the effect of translation exposure is to try to match the company's *liabilities to its assets.* In other words, borrow in foreign currencies. That way, if a currency weakens, thereby reducing the value of the assets on the balance sheet and the profits flow from them, then the size and interest payments of the borrowings will also fall.

Achieving that mix has been greatly facilitated by the growth of the swaps market which allows two borrowers to swap interest payments, whether from one currency to another, or from fixed to floating rate or a combination of the two. In its early days, the swaps market was seen as rather arcane, but now sophisticated UK companies like Redland are using it to adjust their liability portfolio in the same way that a fund manager might alter the balance of his assets.

Transaction exposure is normally hedged through the forward market, but a growing number of treasurers are beginning to warm to the currency options market. Most still feel that the upfront premium they pay is too expensive, despite the fact that evidence suggests that many banks have underestimated the volatility of the market when pricing options and have consequently lost money.

Nonetheless, options still seem appropriate for hedging foreign currency exposures on competitive tenders, where covering the exchange risk would involve selling a large amount of currency forward which the company might never receive.

The more esoteric foreign exchange covering methods, many of which are designed to overcome treasurers' dislike of the options premium, still run into substantial opposition. The tax and accounting treatments of such instruments is difficult to ascertain "and at the end of the day" as one treasurer said, "if you can't account for it, you can't use it."

More traditional means of curbing foreign exchange exposure include "leading and lagging"—paying early in strong currencies and late in weak currencies, and invoicing and paying in as few currencies as possible. Obviously, it would be ideal if all transactions could take place in sterling, but, failing that, treasurers look for currencies with liquid forward markets like dollars, yen and Deutschemarks.

The European currency unit (Ecu), a basket currency consisting of most European currencies, is probably neglected by too many British companies as a trading vehicle. Its basket nature limits its volatility *against the Deutschemark and* French franc, and although it is not a "real" currency in the sense that there are no notes and coins, it is surprisingly easy to cover in the foreign exchange markets.

A further method for countering foreign exchange exposure is to reduce the number of cross-currency payments. SKF, the Swedish ball bearing company, operates an elaborate system of multilateral netting.

Rather than invoice each other, the subsidiaries invoice a central point which once a month nets out all the intra-company payments. The subsidiaries are then either paid or invoiced for their net position in local currency. The finance centre is *therefore* the only point which needs to cover its foreign exchange position.

New electronic banking systems give treasurers the ability to keep daily tabs on their foreign exchange positions, and few treasurers are without a Reuters screen to keep them up to date with market movements. Indeed, some of the bigger companies are often credited with moving the market, and earn grudging respect from bank foreign exchange dealers for their ability to extract competitive rates.

A return to a fixed exchange rate system might be many treasurers' devout wish, but, as they grow more sophisticated and as banks get ever more *eager to offer them* user-friendly products, they are learning to live with the problems of floating currencies.

Philip Coggan

Hedging instruments

Corporations are chary

FEW COMPANIES or fund managers need lectures on the effect of currency movements on their profits or portfolios. "Risk management" has become the in-phrase, as was surely inevitable following year after year of wildly gyrating exchange rates.

At the same time, options and futures trading has boomed on *the world's exchanges,* although the bandwagon effect has concentrated volume on a few centres. Last year on the Philadelphia Stock Exchange, the original home of the currency option, volume in three contracts grew by 250 per cent; but in London, the outcome of the battle between Liffe and the Stock Exchange for the options market was disappointing volumes for both.

Exchanges have been consistently inventive in their attempts to come up with a new winning contract to join old faithfuls like the Deutsche Mark or Swiss franc. Liffe is seeking to build business in its dollar/D-Mark option. Dresdner Bank has joined as a marketmaker, and volume has since increased. However, the spate of European Currency Unit (Ecu) contracts that emerged two years ago failed to attract sufficient volume.

But despite the best efforts of exchanges to attract corporate and institutional business, the evidence remains that many *fund managers and most* corporations are chary about trading directly; they prefer to buy their hedging instruments direct from the banks, with the banks then using the exchanges to cover their positions.

The futures market has never seemed likely to attract corporations—it has a ready alternative in the forward mar*ket, which remains far and away* the most popular route for treasurers to hedge their currency exposure. Trading futures also involves making margin payments which need to be marked-to-market every day, and which most treasurers find an irksome prospect.

The over-the-counter market in options has increased in *liquidity over the past two* years. It is now possible to obtain options for much longer periods of as much as three years. But any longer than that, and the size of the premiums *that need to be charged* become astronomical.

The continuing difficulty that options enthusiasts have faced is persuading the corporate treasurer to pay the upfront premium needed to obtain the flexibility of the option. Many treasurers reason that, if exchange rates move in their favour—and thus the option is *allowed to lapse—the board will* see the premium as wasted money; and if exchange rates move against them—and the option needs to be exercised—the board will compare the cost of the premium unfavourably with forward cover.

Although some of that resistance has been overcome—"UK treasurers are a lot more willing to use options *than their Euro*pean counterparts," believes Mark Blundell, of County Nat West—banks have responded by dreaming up options which lack the deterring effect of the upfront payment.

An early idea was the Boston option, which allowed companies to pay the premium only when the option was exercised by amalgamating its cost with the final payment. Following that, banks developed instruments which offered the corporation, by sacrificing some of the upside potential, reduced premium cost.

Cylinder option gives the treasurer flexibility within a narrow band of exchange rates. By buying and selling options either side of the spot rate, the treasurer can reduce, or even eliminate entirely, the premium cost. If sterling was at say $1.60 to the pound, then a treasurer could buy a call option at $1.64 and sell a put at $1.54.

*The cylinder concept is essen*tially a packaged version of the kind of strategy commonly used by traders—and banks have view to produce their own version of the product—like Salomon Brothers' "range forward contracts."

A further refinement was the "option on an option," which gives the holder the right, but *not the obligation, to enter into* an option at a set exchange rate and expiration date.

Another set of products have been brought out to help companies which have to tender for contracts—like Export Tender Risk Advance (Extra) developed by Hambros Bank. Tendering involves, as well as the risk that exchange rates might move in *between price setting* an payment, the risk that no moneys might be received at all. Option-style instruments, which commit the company only to the amount of the premium, seem to be the most appropriate hedging vehicle.

Currency swaps can be used to cover longer term exposures—indeed pure currency swaps are effectively a long-dated forward contract. The most exciting development, however, has been the use of currency swaps to cover the exchange element of foreign *currency funding—allowing the* corporation to take advantage of the funding possibilities of an overseas market, while "locking in" the exchange rate.

In 1986, the Euromarket was rife with bonds which effectively incorporated currency options, and which often had exotic names like Heaven and Hell and duet bonds. They *tended to share the same char*acteristics—the issuer paid a higher initial yield, but in return, the bond incorporated provisions which passed on the effect of exchange *rate move*ments to the investor.

Many of the bonds were one-off innovations, which passed quickly into the history books as it became apparent that the secondary markets would lack liquidity. But that is unlikely to prevent the banks from trying to dream up new instruments which can offer issuers protection.

Philip Coggan